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JPRS-UEA-85-004

4 February 1985

# USSR Report

ECONOMIC AFFAIRS

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4 February 1985

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ECONOMIC POLICY, ORGANIZATION AND MANAGEMENT

FIRST RESULTS OF EXPERIMENT REVEALED IN INTERVIEW

Moscow PLANOVOYE KHOZYAYSTVO in Russian No 9, Sep 84 pp 60-64

[Group interview, under rubric "Experiment in Progress" and subrubric "Our Interview: "The First Results of the Work Under the New Conditions"]

[Text] In connection with the large-scale economic experiment that is being carried out, the editorial office of this magazine has requested the following persons to discuss the first results of the work of the associations (enterprises) under the new management conditions: D. V. Ukrainskiy, chief of the Improvement of Planning and Economic Stimulation Department, USSR Gosplan; L. A. Busyatskaya, chief of the Planning and Economic Administration, Mintyazhmash [Ministry of Heavy and Transport Machine Building]; and V. P. Cherepanov, deputy chief of the Planning and Economics Administration, Minelektrotekhprom [Ministry of the Electrical Equipment Industry].

D. Ukrainskiy. When speaking about the first results of the experiment, it is necessary to note that the experiment is being conducted against the background of a noticeable improvement in the basic work indicators in industry and the national economy as a whole. To a large extent this is promoted by the large amount of organizational work carried out by the party, Soviet, and economic agencies to implement the decisions of the December 1983, February 1984, and April 1984 Plenums of the CPSU Central Committee.

The half-year of working under the new conditions is an insufficient period of time in which to make a complete evaluation of the merits and shortcomings of the economic mechanism to be checked during the experiment. But already the overall results and local inspections provide justification today for concluding that at the enterprises where the experiment is being carried out there has been an animation of the economic work and an increase in the self-interest of the working collectives in improving the basic indicators of their activity and their responsibility for that.

It should be noted that, out of five ministries, three achieved for the first time the complete fulfillment of the pledges for deliveries of output, and at

Mintyazhmash the number of enterprises fulfilling the deliveries by 100 percent increased, as compared with the corresponding period last year, by a factor of 3; in Minelektrotekhprom the increase was by a factor of 2, with a considerable reduction in the volume of undershipped output.

All the ministries participating in the experiment overfulfilled the assignments for increase in labor productivity, the lowering of production costs, and the increase in profits, with a rather strenuous plan. For example, the enterprises in UkSSR Ministry of the Food Industry, BSSR Ministry of Light Industry, and LiSSR Ministry of Local Industry in January-May 1984 completely fulfilled the plan for sales, with a consideration of the pledges for deliveries of output, whereas, for the union ministries as a whole in those branches, that indicator was not fulfilled. The plan was fulfilled and there was an increase in the production of output with a higher category of quality, the share of which in the overall volume of commercial output in UKSSR Minpishcheprom [Ministry of the Food Industry] during the same period came to 19 percent, as compared with a planned 16.5 percent; in BSSR Minlegprom [Ministry of Light Industry], the respective figure was 20.6 percent. The profit obtained by the enterprises in those ministries increased approximately from 4 to 8 percent. The fulfillment of other very important indicators is also being guaranteed: the growth rates for overall volume of production and labor productivity, the lowering of production costs, and the production of basic types of articles, as expressed in physical terms. Unfortunately, there have been no changes in capital construction.

The work here is proceeding in the old manner: the plan for the first half-year for activation of fixed production assets in January-May 1984 was fulfilled at UkSSR Minpishcheprom by only 47 percent; BSSR Minlegprom, 66 percent; and LiSSR Minmestprom, 88 percent. Incomplete use was made of the established financial limits for capital investments and construction-and-installation operations.

It would seem that the positive results in the work of industry in all the ministries participating in the experiment were influenced by the following factors: first, by the conversion of the indicator of the volume of sales of output with consideration of the fulfillment of delivery pledges into the basic indicator for evaluating the economic activity of the enterprises; and the making of a rigid but justified demand upon them -- the 100-percent fulfillment of the contracts concluded by them. Secondly, there was a noticeable improvement in the work of the enterprises in using labor resources, in increasing labor productivity, and in making efficient expenditure of the wage fund within the confines of the earned amounts. Thirdly, there was an expansion of the capabilities for the technical re-equipping of the enterprises by drawing on their own funds. A number of ministries and associations have already accumulated positive experience in the effective use of the fund for the development of production.

For example, at enterprises of UkSSR Minpishcheprom, capacities were activated for the processing of sugar beets, the production of bread-and-roll products, confectionery products, beer, etc. The plan for the first half-year for those measures was overfulfilled.

Enterprises in machine building have begun directly some of the money in the single fund for the development of science and technology more actively into initiatory exploratory projects. The Uralmash Production Association allocated money from that fund for the manufacture of promising models of machinery for the continuous casting of blanks; the Altay Railroad-CarPlant, for the preparation of an experimental model of a railroad car; etc.

At the same time, the capabilities afforded by the experiment are not being completely used at all ministries or all enterprises. One of the reasons for this is, basically, the slow reorganization of the mental processes of the participants in the experiment, and of the style and methods for running the management at certain enterprises and superior organizations. The economic experiment requires the improvement of the work at all levels of administration: USSR Gosplan, USSR Gosbank, ministries, departments, VPO [all-union production associations], and enterprises. And the degree of aggressiveness with which that improvement is carried out determines the success of the economic experiment being conducted.

L. Busyatskaya. The first results of the work of the associations (enterprises) in the branch under the conditions of the experiment have shown that the chosen directions for the improvement of the economic mechanism orient the working collectives more completely toward increasing the effectiveness of production.

The active participation of the enterprises in the formation of the plan and the fact that they were informed of the planned assignments in plenty of time made it possible to guarantee the detailed working out of the plan and to organize the prompt preparation of production for its fulfillment.

The experiment provided for the orientation of the activities of the associations (enterprises) toward the consumer, and that required the reorganization of their work for the fulfillment of the planned assignments, proceeding from the pledges pertaining to shipments in the specific products list and by the deadlines specified in the contracts.

At all levels of administration of the branch, contract work was reorganized and intensified, and calendrical-operational planning was carried out on the basis of schedules for starting up and releasing of output according to the final dates for shipment in conformity with the concluded contracts. A system was created for monitoring with the aid of electronic computers the rate of fulfillment of the shipments of equipment according to the contracts.

As a result there was an increase in the discipline of fulfillment of shipments based on them. During the first half of 1984, all the enterprises in the branch fulfilled this indicator by 99.5 percent, as compared with 96.4 percent in 1983. Out of 83 associations and enterprises that were taken into consideration for shipments based on contracts, 60 guaranteed 100-percent fulfillment of shipments, whereas in 1983 only 14 had done so.

An important role for increasing the shipment discipline was played by the principle employed in the experiment, concerning the increase in the material incentive fund by 15 percent for 100-percent fulfillment of the contractual

pledges, as well as a reduction of that fund by 3 percent for every percentage of undershipment of output. In order to improve the fulfillment of contractual pledges by the enterprises, it is necessary to develop the interaction between the planning system and the formation of the shipments plan.

Orientation on indicators of effectiveness -- labor productivity and the reduction of production costs -- has increased the attention directed by the working collectives to the questions of economizing. During the first half of the year, the following were fulfilled: plan and additional pledges for increase in labor productivity and the reduction of production costs (labor productivity increased by 104.7 percent; expenditures per ruble of commercial output were reduced by 1.56 percent); the plan for profit; and payments to the budget.

There was an increase in the responsibility borne by the enterprise manager for the new-technology plan, the guarantee of fulfillment of which plan is now the inclusion of experimental models and the first industrial series of output into the production plan. During the first half of 1984 there was complete realization of the state plan for new technology and the assignments for scientific-technical programs that were approved by GKNT [State Committee for Science and Technology].

Part of the single fund for the development of science and technology has begun being used for initiatory exploratory projects.

There has been a noticeable rise in the technical level of the output being produced, and the share of output with a higher category of quality came to 38 percent, as compared with a planned figure of 37.3. Something that needs modification is the system of increasing the self-interest of the persons involved in development and of the enterprise managers in the creation and assimilation of new technology.

The improvement of the work of the associations (enterprises) was promoted by the intensification of the attention of the territorial agencies of USSR Gosstab to the prompt allocation of funds for material-technical resources, and also by the better use of the funds in the first half of the year. At the same time, it is necessary to achieve the further improvement of material-technical supply by drawing on the more-substantiated formation of the norms for a reserve of materials; by expanding the network of the organization of warehouse supply with the bases of the territorial administrations, in the event of nonthrough-shipment norms for delivery; and by rendering assistance to the enterprises in the sale of materials that they do not need.

The associations and enterprises have begun using the right granted to them to establish wage increases for highly qualified workers who have demonstrated professional skill, and increases to the salary rates for ITR [engineer-technical workers] in the event of an economizing in the wage fund. A search is being carried out for new forms of intraplant planning, the organizing of cost accountability, and the location of reserves and methods for providing incentives. But the role of the economic incentive funds is still not very large, since their normative base has been insufficiently substantiated. The

measures to expand the rights of the associations and enterprises in the area of planning and the providing of incentives must be supplemented by the rights to improve the administration on the basis of well-substantiated norm lists.

The work to introduce completely at the branch's associations and enterprises the statutes and principles governing the experiment is continuing. For the further dissemination of that experiment, it is necessary for USSR Gosplan, with which, practically speaking, the 1985 plan for the products list has already been coordinated, to complete the consideration of the ministry's plan for all sections within the shortest possible periods of time, so that we can promptly approve the plans for the associations and enterprises in the branch.

V. Cherepanov. The statutes and principles governing the economic experiment that is being conducted at Minelektrotekhprom have completely justified themselves. That is attested to by the results of the work performed by the production associations and the enterprises in the first half of 1984: there was an acceleration in the rates for the development of the branch which had been achieved in the previous three years, and an improvement in the fulfillment of the pledges dealing with shipments of output, as is reflected in the following table.

[Table] (In percentages)

Indicator	Average-annual increase for 1981-1983	Rate of growth in first half of 1984	Fulfillment of plan for first half of 1984
Output to be sold	3.8	5.3	102.6
Commercial output	3.5	4.1	101.5
Normative net output	6.1	7.2	101.8
Labor productivity	5.3	7.2	102.4
Reduction in expenditures per ruble of commercial output	-0.8	-1.53	-0.81
Profit	8.6	17.7	114.6
Production of commodities intended for cultural, sports, and other everyday purposes	7.7	10.6	101.3

For the first time the entire increase in output is guaranteed by drawing on labor productivity, and one retains a sufficiently optimal [sic] correlation between the growth rates of labor productivity and average wages.

The enterprises in the branch independently determine the limits for the number of workers. In the first half of 1984 the number of persons in industrial-production personnel, as compared with the corresponding period last year, was reduced by 5200 persons. The economizing of the wage fund during the report period exceeded 20 million rubles (2.5 percent).



The associations and enterprises in the branch have been overfulfilling the plan for profit. The amount of profit received in excess of plan was 113.2 million rubles, or 14.6 percent. In the first half of 1984 the actual profit constituted 56.4 percent of the annual assignment. The number of enterprises that did not fulfill the plan dropped from 432 in the first half of 1983 to 29 in 1984.

In response to the appeal of the December 1983 Plenum of the CPSU Central Committee, the working collectives in the branch have assured the overfulfillment of the assignment for the increase in labor productivity by 2.5 points; and production costs were additionally reduced by 0.81 percent. The number of enterprises that failed to fulfill the assignments for the reduction of production costs was reduced by one-half.

We hope that the definite improvement that has been noted in the work of the agencies of Gosstab and the transportation organizations during the report period will receive further development. The evaluation of the activity and the providing of incentives for the agencies of Gosstab and the transportation agencies, as well as the enterprises in the electrical-engineering industry, must depend first of all upon the fulfillment of the contractual pledges. In the first half of 1984 the degree of fulfillment of the volume of sales with a consideration of the contracts that were adopted increased by 2 points, as compared with the corresponding period of last year, and reached 99 percent for the branch. The number of enterprises that completely fulfilled their contractual pledges increased by a factor of 1.8, and the total amount of undershipped output was reduced to 37 percent of the previous amount.

The reduction in the [number of] indicators to be approved from the top down, the expansion of the rights, and the use of funds for the payment of labor, and the more active participation of the enterprises in the formation of the plans, on the one hand, expanded the independence of the enterprises, and, on the other hand, increased the responsibility for the final results of the work.

As compared with the corresponding period last year, the material incentive fund increased by 28 percent; the fund for social and cultural measures and housing construction, by 18 percent; and the fund for the development of production, by 25 percent.

The method of forming the funds for paying labor (the wage fund and the material incentive fund) on the basis of uniform norms for increase under conditions of the economic experiment has justified itself. To a greater extent it ties together the interests of the state and of the working collectives.

For purposes of providing the additional self-interestedness of the production associations (enterprises) in improving the use of the material resources, a decision was made concerning the introduction, starting in 1985, of a normative reduction in material expenditures per ruble of commercial output in the amount of 2 percent. In the event of fulfillment of the assignment for the reduction of material expenditures, the fund for social and cultural measures and housing construction at the enterprises will increase by 10

percent for each percentage of reduction as compared with the base year; and in the event of nonfulfillment there will be a corresponding decrease. The introduction of the new system will make it possible to achieve a substantial increase in the sources of the fund for social and cultural measures and housing construction.

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ECONOMIC POLICY, ORGANIZATION AND MANAGEMENT

ECONOMIC EXPERIMENT DETAILS, FIRST RESULTS HIGHLIGHTED

Moscow EKONOMICHESKAYA GAZETA in Russian No 42, Oct 84 p 12

[Article: "Economic Mechanism; Experiment in Industry"]

[Text] Proceeding from the decisions of the 26th Congress of the party and subsequent plenums, the CPSU Central Committee and the USSR Council of Ministers recognized the necessity of accomplishing a system of additional measures together with the consistent and persistent introduction of forms and methods of management, which have justified themselves, for expanding the rights of production associations (enterprises) in planning and economic work, providing them with a genuine economic interest in the achievement of highly efficient production, and increasing their responsibility for the results.

A large-scale economic experiment is being conducted for the purpose of working out these measures and providing them with a comprehensive validity and practical verification in industry, the area of services, and in other sectors of the economy.

Such an approach is not accidental. Each new element of the system of managing a socialist economy is a multifactored phenomenon, which is connected by a multitude of bonds and dependencies with other aspects of management. A thorough, creative, methodological preparation and experimental testing in the limited sphere of economics is necessary.

Speaking on 5 October at the All-Union Conference of People's Inspectors, Comrade K. U. Chernenko noted that in the course of this large-scale economic experiment "the elements of a new economic mechanism, which will make it possible to correctly distribute rights and responsibilities between the central organs of management and production enterprises, will be worked out in practical application. It is a question of considerably improving the planning and structure of management and putting forceful incentives for the personal financial interest and responsibility of each worker in their own work into operation".

At the Level of the Basic Cost Accounting Link

Management questions at the level of the basic cost accounting link -- production association (enterprise) -- are of the most importance in the process of

improving the economic mechanism. It is in this link that the production process is accomplished, material and intellectual values are created, and the creative work of workers is manifested to the greatest degree.

The large-scale economic experiment, which was begun on 1 January of the current year in a number of sectors in our industry has as its purpose the development of such management conditions which would cultivate the initiative and enterprise of workers and would promote the rapid technical re-equipping of plants and factories and the achievement of good final results with an overall savings of resources.

The essence of this experiment, if one can speak concisely, consists of granting more rights to enterprises, increasing their responsibility, and liberating them from excessive centralized supervision. The most important direction of the measures is to provide enterprises with a combination of cost accounting independence and responsibility.

The measures for expanding the independence and responsibility of enterprises consist of a continuation of the multi-faceted and comprehensive work of the party and the government on improving the economic mechanism and strengthening the centralized management of the national economy in conjunction with the development of democratic principles. In the last few years, especially after the adoption of the 12 July 1979 resolution of the CPSU Central Committee and the USSR Council of Ministers "On improving planning and intensification of the effect of the economic mechanism on improving production efficiency and quality of work", considerable work has been accomplished on improving the organization of planning, applying plan indicators corresponding to the current stage of economic development, and improving the stimulation of highly productive work.

The resolution of these and other questions is envisaged in the 14 June 1983 resolution of the CPSU Central Committee and the USSR Council of Ministers on conducting an economic experiment in enterprises of a number of industrial sectors.

The results of the work of enterprises placed under the conditions of the experiment in 1984 showed: matters here have been improved considerably. After having discussed the preliminary results of this experiment, the Politburo of the CPSU Central Committee noted that the system of measures aimed at increasing the financial interest of collective workers in the achievement of good indicators is, on the whole, having a positive effect on the results of economic work. Economic work has been improved in enterprises of corresponding ministries and their initiative in the mobilization of existing reserves has become greater. Thus the number of workers in subdivisions of the USSR Ministry of the Electrical Equipment Industry is now less than the plan by 7,000 people. The number of personnel in enterprises of the UkSSR Ministry of the Food Industry was reduced by 1,500 people and the turnover of personnel was reduced from 18 to 5 percent.

Beginning from 1 January 1985 the enterprises of a number of other ministries (see page 6) will be included under the conditions of the experiment. In

industry these enterprises will produce 12 percent of the output of the total volume of its production in the country.

#### Increasing the Role of Labor Collectives

Increasing the role of labor collectives in the development and accomplishment of state plans, which provide for the mobilization of internal resources, is a most important direction in the improvement of management at the enterprise level. Important steps have already been taken in this direction under the conditions of the experiment. An abbreviated system (taking into consideration the peculiarities of the sectors) of confirming and evaluating indicators was introduced. Not all the problems have yet been resolved here. Taking into account the experience accumulated for 1984, in particular, it was necessary to supplement the indicators being planned with more developed tasks with respect to technical progress and also exports.

Such a measure as increasing the duration an enterprise works on a draft plan also promotes an increased role for labor collectives in planning. This provides an opportunity for production associations and enterprises to elaborate a products list in advance, to carry out the conclusion of economic contracts, and to prepare the production facility for the accomplishment of the plan tasks of the next year in a more thorough manner than before. As practice has shown, this measure is of exceptionally great significance for the mobilization of labor collectives on behalf of fulfilling the tasks facing them. At the same time, its consistent implementation requires a reorganization of the forms and methods of planning at the level of the ministries and USSR Gosplan in order that the basic indicators being determined from above would reach the subordinate links on time.

The responsibility and financial interest of enterprises and associations is being increased with respect to the production of the necessary types of products which will provide for the needs of the economy and the people. With this objective in mind, the tasks for the production of output in physical terms are of determining significance among the indicators, which are being centrally established for all enterprises. Moreover, the work of the labor collectives is being evaluated, first of all, according to the sales indicator for output while taking the fulfillment of contracts into account. This means a turning point in determining the chief work goals of the labor collectives: instead of an orientation toward the accomplishment of the overall sales volume, in the first place, the efforts of the enterprise collectives are being directed at the fulfillment of production plans within the time limits and quantities stipulated by contracts.

As experience shows, such an approach has improved the work of the enterprises. Beginning with the first day of the current year many collectives are providing for the production of manufactured articles completely according to schedule. In the Ukrainian Ministry of the Food Industry, the Belorussian Ministry of Light Industry, and in the Lithuanian Ministry of Local Industry deliveries in accordance with contracts for the first 8 months of 1984 were completely accomplished by all enterprises while approximately one-third of the enterprises did not fulfill their deliveries in the same period last year. In

heavy machine building 83 percent of the enterprises failed to meet this indicator last year, while this year the percentage was already 37, and in the electrical equipment industry it was 73 and 45 respectively.

#### Final Results

It should be noted that such indicators were, to a great degree, achieved as a result of the strengthening of the economic effect on their accomplishment. Each labor collective knows that with a complete observance of contractual conditions deductions into this fund are increased by 15 percent, and for each percent of unfulfilled sales plan there is a reduction of 3 percent including delivery obligations. Intra-plant planning, organization of the cost accounting of shops and brigades, and the bonus system for engineering-technical workers and other workers have been reorganized in the majority of enterprises for the purpose of fulfilling obligations to consumers.

The rights and opportunities of enterprises in raising the technical level of production are being expanded under the conditions of the experiment.

Additional forms and methods of planning and economic stimulation of technical progress will be introduced beginning in 1985: obligatory state certification of all types of products (previously it only applied to products with the Emblem of Quality), measures for stimulating the delivery of products for export will be expanded.

Under the conditions of the experiment the role of economic levers and stimulants, which influence the final results of enterprise work, will be increased. The system of economic quotas occupies a central place among them. They are determined, as a rule, not in relation to the overall volume of production or other gross indicators, but in relation to the indicator of growth. The quotas are computed in the pre-plan period and hereby act as a means of influencing the development of high planning indicators. All this provides an opportunity for ensuring the stability of quotas and their stimulative role.

It was possible to increase the financial interest of enterprises in increasing the volume of production with less workers while depending on stable economic quotas in the formation of wage and incentive funds. In sectors implementing the experiment, an increase in production is being accomplished with less employees and the rate of increase in the productivity of labor was accelerated. This was, to a great degree, promoted by the fact that the enterprises received additional opportunities to establish additional allowances for the wages and to apply the bonus system in a more flexible manner.

#### Transition to New Methods

The successful implementation of the economic experiment requires considerable organizational work in the practical introduction of new regulations. This is one of the main directions of improving economic management and perfecting the style and methods of administration. From this it is understandable how the study and realization of basic regulations of the experiment and a determina-

tion of the personal responsibility of economic leaders and specialists for its preparation and implementation are of such importance.

Experience shows that among the forms of mobilizing workers for the fulfillment of the adopted decisions, such forms as the extensive discussion of the measures being worked out at meetings of workers and active party members, the establishment of strict party control over the introduction of the planned measures, a thorough study of the experiment in shops, departments, offices, and in the party training system, and an increased role for the apparatus of ministries and all-Union industrial associations have spoken well for themselves. It is expedient to generalize and widely use such organizational experience in implementing new forms and methods of management.

Moreover, it is not just a question of those sectors which will begin work under the conditions of this experiment in the very near future. The preparation for this work should be developed in a new fashion in all enterprises without exception. And here the economic training of personnel is called upon to play an important role. A study of the course "Economic Mechanism: An Economic Experiment in Industry" opens up an opportunity to enlist a wide circle of enterprise workers in this work under new conditions, to discuss and plan actual measures for introducing new methods of management, and to determine basic directions for improving management in associations and enterprises.

The economic offices of the enterprises are faced with large tasks in connection with this. It is imperative for them to thoroughly accumulate and analyze the experience gained from the experiment and to find ways for its effective utilization.

The preparation and implementation of the experiment represent a forceful impulse of creative searches in the area of improving and managing the economy. It would, evidently be incorrect to sit back and expect the results of the work from enterprises in 6 months or a year. Success can be achieved more quickly if all economic workers become actively involved in the systematic work connected with intensifying the ideas of the experiment.

In the course of the studies propagandists should turn their attention to this aspect of this issue. The first subject of the course will be a seminar entitled "Improving the economic mechanism -- an important condition for intensifying and improving production efficiency", during which it will be expedient to organize an extensive exchange of opinions on the given question. By way of preparing for the seminar it is recommended that those attending be instructed to work out a number of abstracts (an example list of subjects for abstracts is given in EKONOMICHESKAYA GAZETA, No 31, 1984, p 11).

During the preparations for the studies it is necessary to use the materials of the 26th Congress of the party and subsequent Plenums of the CPSU Central Committee, the resolution of the CPSU Central Committee on the economic experiment (EKONOMICHESKAYA GAZETA, No 31, 1983), and the methodological and instructional materials on conducting the experiment. EKONOMICHESKAYA GAZETA systematically reports on the experience of industrial production associations and enterprises which are working under the new conditions or are preparing to make

the transition to them. It is also expedient to enlist these publications in the preparatory work for the studies.

The economic experiment has been conducted since the beginning of this year in enterprises of the Ministry of Heavy and Transport Machine Building, the Ministry of the Electrical Equipment Industry, the Ukrainian SSR Ministry of Food Industry, the Belorussian SSR Ministry of Light Industry, and the Lithuanian SSR Ministry of Local Industry.

In 1985 the economic experiment will be extended to a number of new ministries.

#### ALL-UNION MINISTRIES

Ministry of Instrument Making, Automation Equipment, and Control Systems  
Ministry of Chemical and Petroleum Machine Building  
Ministry of the Machine Tool and Tool Building Industry  
Ministry of Power Machine Building  
Ministry of Tractor and Agricultural Machine Building  
Ministry of Ferrous Metallurgy (some production associations)

#### UNION-REPUBLIC

Armenian SSR Ministry of Light Industry  
Latvian SSR Ministry of Light Industry  
Lithuanian SSR Ministry of Light Industry  
Moldavian SSR Ministry of Light Industry  
Estonian SSR Ministry of Light Industry  
Azerbaijan SSR Ministry of the Food Industry  
Belorussian SSR Ministry of the Food Industry  
Latvian SSR Ministry of the Food Industry  
Moldavian SSR Ministry of the Food Industry  
Estonian SSR Ministry of the Food Industry  
Belorussian SSR Ministry of the Meat and Dairy Industry  
RSFSR Ministry of the Fish Industry

#### REPUBLIC

RSFSR Ministry of Local Industry (a number of oblasts)  
Ukrainian SSR Ministry of Local Industry ( a number of oblasts)

#### Results of Work Under Conditions of Economic Experiment

for January--August in comparison with same period last year in percentages

Fulfillment of Delivery Contracts		
	1983	1984
Ministry of Heavy and Transport Machine Building	97.0	99.6
Ministry of the Electrical Equipment Industry	97.0	99.0
Ukrainian SSR Ministry of the Food Industry	99.7	100.0



	1983	1984
Belorussian SSR Ministry of Light Industry	99.1	100.0
Lithuanian SSR Ministry of Local Industry	99.1	100.0

Proportion of Output of Higher Category of Quality

	1983	1984
Ministry of Heavy and Transport Machine Building	35.6	38.6
Ministry of the Electrical Equipment Industry	47.9	49.1
Ukrainian SSR Ministry of the Food Industry	15.8	19.1
Belorussian SSR Ministry of Light Industry	17.6	20.4

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## INVESTMENT, PRICES, BUDGET AND FINANCE

### MAJOR CREDIT POLICY ASPECTS EXAMINED

Moscow DEN'GI I KREDIT in Russian No 7, Jul 84 pp 21-25

[Article by Doctor of Economic Sciences V.S. Zakharov: "Certain Questions of Credit Policy"]

[Text] The banks mainly use economic methods of management for implementing the credit policy. Management by means of economic methods consists of influencing the economic interests of participants in credit relations. This influence can be exerted by satisfying needs. There are certain limitations to possibilities for satisfying needs at each stage in the economy's development. General conditions are therefore established by the centralized procedure, and the degree to which needs are satisfied depends upon the observance of those conditions. This dependency gives the objects of management (enterprises and economic organizations) a choice in making decisions. The range of methods for satisfying needs and their dependency upon the progression of the corresponding economic processes are also centrally established. The selection of the method of satisfying its needs by the object of management is therefore an intermediary thing determined by the course of those processes. This should not be taken to mean that the selection is a forced matter, however, or that there is no possibility of selecting in general. On the contrary, there are elements of a subjective approach in this process, as there are in any other selecting process.

Each object of management attempts to satisfy its own needs to the greatest possible degree and adopts decisions which, in its opinion, make it possible to achieve this objective. At the same time, it must be possible for the object of control to foresee the results of its decisions, which determine whether it will be rewarded or, on the contrary, will bear material liability.

The object of management (the system of agencies of functional, branch and territorial management) is faced with the task of satisfying the needs of the entire society more fully. It therefore establishes that procedure whereby the conditions for the use of this or that means of satisfying the needs of the objects of management to the maximum degree will stimulate development and enhance the effectiveness of public production.

With these ideas in mind, an economic method of management could be defined as a method of affecting the economic interests of the objects of management by satisfying their needs, while observing general conditions established by the subject of management. Crediting is one economic method of management, since

it has all of the features of such methods: general regulations established by the centralized procedure, the possibility for the objects of management to satisfy their needs for borrowed funds with various loans, and material incentive for them to make prudent and thrifty use of bank loans.

As functional management agencies, banks use mainly economic methods in their work, which include crediting. V.I. Rybin believes that crediting is not just a method of economic management, but a method of organizational and administrative control as well. He cites the centralized planning of certain loans all the way to the specific loan recipients and the objects of the crediting as an example of the use of credit in the latter way. He then correctly states that a loan planned in this manner can be issued in a smaller amount or for a shorter period of time.\* He omits the fact that the loan may not be issued at all, however--due to the borrower's failure to observe the credit terms or because he does not need borrowed funds, for example. The credit limit is the economic agency's right (but not its obligation) to obtain a loan and the bank's right (but not an obligation) not to issue the loan. The organizational and administrative methods call for the establishment of firm assignments, which must be fulfilled.

Because of this, there are inadequate grounds for relating crediting to two substantially differing management methods. Nor is it valid to merge these methods. Each method can be either economic or organizational. The ascribing of the characteristics of one method to the other ultimately erases their specific features, effacing them. With respect to the organizational elements mentioned, they are not a part of crediting as a management method, but of banks as agencies of functional management which use not only economic management methods but organizational methods as well.

The use of crediting as an economic method of management requires a more thorough differentiation of crediting terms in accordance with the nature of the needs for borrowed funds. Bank credit is designed primarily to meet needs for borrowed money stemming from economic and social development plans. Crediting is at the same time the most convenient method of covering unplanned needs for funds. The great mobility of loan resources makes it possible to efficiently meet needs created by exceeding plan goals, while the repayment and time elements limit the time involved in making up a lag in the fulfillment of plans. Bank control over the use of credit for its intended purpose and over its financial coverage is also of considerable importance.

The existence of dissimilar needs for borrowed funds necessitates also different methods of satisfying those needs with bank credit. The degree of effectiveness to which the economic interests of objects of management are affected depends in great part upon whether the methods used for satisfying needs for borrowed funds measure up to the nature of those needs. The satisfaction of planned and unplanned needs must be differentiated more thoroughly in the planning and organization of crediting.

\*V.I. Rybin, "Kredit kak ekonomicheskaya kategoriya sotsializma" [Credit as an Economic Category of Socialism], Moscow, Mysl', 1978, pp 146-148.

Requirements for borrowed funds and the corresponding loans can be broken down into three large groups. The first group includes requirements for building up assets and handling planned production outlays. Credit's influence with respect to satisfying them is to a considerable degree a centralized matter. The sizes of loans are computed in advance on the basis of production and product circulation plans. The credit plan specifies the extent of indebtedness in the form of loans with a breakdown by ministries (departments). Credit limits or control figures are then apportioned among the industrial and production associations and enterprises. In many cases limits are established for individual objects of credit. A centralized influence is thus exerted with respect to the creation of circulating capital at the various management levels. Economic management agencies are active at the planning stage in this process.

Bank institutions issue these loans directly to the recipients as they fulfill their plan assignments and within the limits specified in the credit plan. In order to assure effective stimulation of the economic interests of objects of management, the conditions for covering planned needs for borrowed funds must be closely linked to progress in the fulfillment of the quantitative and qualitative indicators for the plans. Otherwise, crediting could become an automatic thing. The bank does not always monitor the issue of each individual loan, after all--in the case of crediting out of special loan accounts, for example.

The second group of requirements for borrowed funds has to do with deviations from the normal course of operation of the enterprise itself, from its material and equipment supply and sales of output. These needs are met with special types of loans: for unplanned stocks of materials and outlays (temporary needs and others), to temporarily make up a shortage of its own funds, and so forth. Loans for satisfying the second group of needs are planned with a branch or territorial breakdown. The planned amounts are not set in advance for specific loan recipients, however, because it is not known who will need loans. It is possible for agencies of economic management to influence the demand for such loans on the part of associations and enterprises under their authority--by establishing assignments for obtaining additional accumulations and by putting above-plan stocks into economic circulation. In general, however, the decentralized procedure for determining such needs for borrowed funds predominates.

The economic interests of the loan recipients are stimulated in this process by increased interest and by the establishment in each specific case of specific crediting terms and even special organizational forms of credit relations--credit agreements, for example. It follows from this that the interest on loans for meeting unplanned needs should differ substantially in amounts and sources of payment from the interest on loans for planned purposes and that the crediting terms and organizational forms should be determined by the nature of deviations from the fulfillment of assignments specified in the plans.

Finally, the third group of requirements for borrowed funds include those arising during the normal course of production and circulation of output. They depend upon the structure of the payment turnover between the suppliers and the buyers, upon their territorial distribution, upon the degree to which payments coincide with the receipt of funds, and so forth. These needs are extremely changeable, and the amounts cannot be determined in advance for each economic agency. Loans for meeting them are therefore planned for the national economy as a whole and are

not allocated by branch or territorially. They are also bulk amounts, and the banking establishments do not determine the expediency of issuing loans, the amounts or the repayment periods in each specific case, but are guided by the general crediting regulations.

These specific features of the crediting process can result in the covering of lengthy breaks in the financial and management activities of enterprises with such loans. In this situation it is very important for the banking establishments to systematically verify that the loans are actually being used for their designated purpose. When there are prolonged planned or unplanned needs, the economic agencies should be motivated to obtain loans in the first or second group. Considering the nature of short-term needs arising during the normal course of operations, there should be a flexible system for meeting them.

The degree to which the credit policy requirements are observed in the process of credit planning depends in great part upon the correlation between specially targeted loan volumes planned within the set limits and those planned with the possibility of an increase (a control figure) or with no limit set.

The fact that needs for borrowed funds differ makes it necessary to have different methods of meeting them with bank credit and different methods of affecting the economic interests of the objects of administration. A great diversity of crediting methods has developed, and they conform in varying degrees to the demands made of crediting as an economic method of management.

It has already been stated that the crediting of planned needs for borrowed funds must be linked to the maximum possible degree with the fulfillment of planned assignments in the course of the production and circulation processes. In certain cases, however, this requirement is not observed. This causes credit investments to grow more rapidly than production output. The development of credit relations with agricultural enterprises is a typical example.

The outstripping growth rates for loans extended to kolkhozes and sovkhoses are caused to a significant degree by poor linking of their crediting with the end results of their operations. Another shortcoming in the organization of crediting for agricultural enterprises is the absence of differences in the satisfaction of various kinds of needs for borrowed funds. In this situation it is difficult to determine with adequate economic substantiation the need to write off or defer the payment of loans. It is therefore possible that indebtedness incurred as a result of mismanagement--that is, for reasons within the control of the agricultural enterprises themselves--might be written off or deferred. Attitudes of dependency develop as a result of this, and there is increased demand for credit based on the hope that repayment will not be necessary. The crediting procedure itself is therefore not adequately encouraging the strengthening of economic accountability and the thrifty use of credit.

The further improvement of crediting for creating circulating capital for agricultural enterprises should apparently proceed along a line of more precise delineation of crediting terms and needs for credit in accordance with the specific factors giving rise to them. This will make it possible to assure that the bank takes a truly differentiated approach to the organization of credit relations.

Credit policy must take into fuller account the demands of economic policy at the contemporary stage--increased independence and responsibility for the associations and enterprises, for example, and the application of normative methods for planning and organizing economic relations. In our opinion, the use of credit as an economic method of management calls for the enterprises to have the right to select the specific crediting methods--while conforming to the conditions set by the bank, of course.

The current detailing of the credit terms and the mandatory use of specific credit methods (down to types of loan accounting) for specific segments of the economy appear to be excessive. While economic agencies have no choice in the organization of temporary credit relations, it is difficult to expect them to demonstrate a high level of material responsibility for the results of their decisions. The proposed enlargement of the right of enterprises to select the crediting methods must be accompanied by the establishment of undeviating material liability for violating management standards or crediting terms.

Credit policy must also provide for the interchangeability of loans. After all, the associations and enterprises ultimately need a certain amount of borrowed payment funds, regardless of the form in which they are provided. It is certainly not all the same to the banks as agencies of state management and control, however. When an enterprise avoids working out measures to make up a shortage of its own circulating capital and obtaining credit for that purpose, additional loans issued to it should involve a higher interest rate (on the amount of indebtedness corresponding to the shortage of its own circulating capital). The associations and enterprises and their directors must be held to greater account for violating credit discipline. The press has frequently described proposals on the payment of increased interest out of economic incentive funds for loans obtained for unplanned purposes. Part of it could be charged to the directors who have permitted the inefficient use of funds.

Despite a certain increase in interest rates for certain loans, the average interest is approximately 2.7 percent for short-term Gosbank loans and 0.9 percent for long-term loans. In this situation we still have to deal with the matter of further increasing interest rates, and the material interest of the objects of management in making the most thrifty and efficient possible use of loans can be increased with a more thorough differentiation of interest rates in accordance with the quality of the borrowers' work and their use of the loans they receive.

Credit policy can be made more effective also by bringing into greater conformity the authority of economic management agencies and banks at the same levels. The bank establishments which provide the credit for the associations and enterprises are the direct agents of credit policy. The actual structure of credit relations not just for individual associations and enterprises, but for the national economy as a whole, results from the operations of numerous bank establishments.

Possibilities for the economic agencies to exercise their rights depend in great part upon the established procedure for obtaining specific loans. The existing procedure for reviewing data on above-limit capital outlays which pay for themselves within less than 2 years is a good example. The enterprises apply for a loan to the Gosbank establishments which serve them. The latter review all of

the necessary information and issue a conclusion as to the expediency of issuing the loan. The enterprises then send applications, together with the conclusions, to the ministries (or departments) of the USSR or Union republics, which select the effective measures and submit a list of these to the Board or the republic office of Gosbank. Bank agencies select the most effective of these. When necessary, they enlist the assistance of the corresponding Gosbank establishments, which have already issued their conclusions.

This procedure for reviewing the information substantially reduces operational efficiency in the process of deciding whether to issue the loan. Enterprises for which it becomes necessary in the course of fulfilling the plan to take rapid steps to mobilize internal reserves need credit. Because of this, it seems to us that authority to issue loans for above-limit capital investments should be granted, as a rule, to the bank establishments--within the credit limit established for them by a higher agency, of course. In our opinion, increasing the authority of bank establishments to issue loans would make it possible to provide more complete and efficient assistance with the mobilization of the economic agencies' internal resources. Unlike loans for capital investments planned for the branches, however, loans to cover above-limit outlays should be planned by territorial breakdown.

The normative method should be used more extensively for determining loan amounts. A standard should be set for the portion of bank credit in the balance or the growth rate for stocks. Such a standard should apply not only to special-purpose loans for supplies, but also to other loans from which reserves (payment and others) are actually built up. The standard could be differentiated by branch and could be reduced as assignments are set for drawing above-plan reserves into circulation or in case of an increase in total loan indebtedness. The enterprises would thus be placed into an economic situation in which the increase in stocks of commodities and materials would be commensurate with the increase in the sources from which they are formed.

The effectiveness of credit policy depends in great part upon the methods used for differentiating credit relations between the bank and the enterprises, based on the quality of their work. The real and substantiated differentiation of the banks' relations with economic agencies can be accomplished under the following conditions: criteria are established which reflect the most substantive indicators for the performance of the economic agencies and when they observe the rules for conducting loan operations; when there is a limited group of such criteria and objective methods for determining whether these criteria are being met; when the economic agencies have an economic interest in obtaining preferential banking terms; and when the measures used by the banks for influencing the situation are irreversible.

In reality, not all of these conditions are being met. The precision with which the banks' relations with the economic agencies are differentiated depends in great part upon the number of indicators used as criteria, for example. The differentiation could be more clearly defined with a single indicator. A large number of indicators, on the other hand, makes it difficult to use a varied approach and permits arbitrary decisions to be made.

Many economic agencies demonstrate no interest in obtaining preferential banking terms due to their low level of effectiveness and narrow range. On the other

hand, some economic agencies succeed in one way or another in avoiding the measures used by the banks for influencing the situation, and this reduces the controlling role of the latter.

One hears the opinion that the banks should differentiate credit relations with economic agencies according to profitability of their work and the effectiveness of the undertakings proposed for crediting.

With respect to this, it is important to bear in mind that the selection of the most effective outlays for capital investments and determination of the feasibility of making the specific capital outlays should be done when the plan is being made up. And the banks should take a more active part in this. With respect to the crediting of above-limit capital investments by the established procedure, priority should be given to the most effective ones.

The proper organization of information work is essential for credit policy to be effective, because management decisions are made on the basis of the information received. The banks have current information which other management agencies do not have. This is primarily information on the performance of the basic elements in the production management system--the associations and enterprises--which themselves learn from the bank how sales of output are proceeding (from data on funds arriving in the accounts).

The absence in an account of money to pay wages, to make payments into the budget or to suppliers, or to repay bank loans is a matter of daily, objective and efficient reporting. The bank data makes it possible to assess many important aspects of the enterprises' work without waiting for the accounting record to be compiled, to foresee the results and finally, to take steps to improve those results. It follows from this that credit policy should be improved from the standpoint of a situation approach.

The banks use information on the functioning of the banks themselves and on the performance of the object of management--the national economy at the various levels. A bank's internal accounting for the volume and structure of credit investments, the availability of credit funds and other matters goes vertically from the lower banking elements to higher ones. This information is used for assessing the fulfillment of crediting plans, the repayment of loans and observance of the crediting principles (time periods, extent of provision, and use for designated purposes), that is, for assessing the functioning of the banking system itself and the degree to which it is influencing the objects of management.

If the indicators deviate from the established standards and criteria, economic or organizational steps are taken through bank channels. Such deviations are also the signal for a more thorough study of the results from the performance of the managed units, based on information obtained by the banking system from outside--from the enterprises, associations and ministries, as well as statistical agencies and others. Information on the fulfillment of sales and profit plans, on the preservation of the units' own circulating capital, and other matters, is used for making decisions with respect to differentiating the crediting and settlement conditions. When the banks have internal information on a buildup of non-payments in an operation, this is grounds for making a decision to take steps to strengthen payment discipline, to apply economic sanctions, and so forth.



The information received by the banking system from outside should be adequate for it to fulfill its functions. In other words, only that information is practical which can be used by the banks as the subjects of management. Inadequacy of the information results in reduced effectiveness for management, and excessive information leads to nonproductive outlays of labor for compiling it. In certain bank establishments, for example, information is accumulated which is not used in the crediting process or in the performance of other banking functions. Before collecting any sort of information, a determination should therefore be made as to whether it can be used, and how effectively.

One also hears the opinion that "...our bank agencies, which possess a great deal of unique information on the actual state of affairs at each enterprise and in each region, do not always make full use of those possibilities for performing an all-around economic analysis and for monitoring the fulfillment of plan assignments."\*

The effectiveness of the decisions adopted depends upon the completeness, the timeliness and regularity of the information. All information becomes obsolete after a time, and this reduces possibilities for using it in decision-making. It is therefore expedient to obtain as rapidly as possible the minimum of information needed for making timely and efficient decisions for each stage of management. With respect to information for future study, the completeness of that information is more important than the speed at which it is obtained.

With all of this in mind, we can draw the following conclusions. On the basis of assignments contained in the five-year plans for economic and social development, it is expedient to work out and establish the basic directions of credit policy for the specific planning period. These directions should be unified for all the banks. This means, for example, that different approaches cannot be accepted in Gosbank and Stroybank [All-Union Bank for the Financing of Capital Investments] establishments to the crediting of capital investments in the same branches or to the extension of credit for circulating capital in contract organizations.

With respect to bank instructions on crediting, they should be made as brief and unified as possible. By following general credit policy directions and brief instructions, bank establishments will be able to use credit's objectively inherent role with maximum consideration for the specific economic situation. Their authority will also be enlarged to correspond to a greater degree to the authority of the associations and enterprises to which they extend credit. The reliability of the directors of bank establishments for the results of their decisions will be increased at the same time.

The independence and responsibility of the associations and enterprises will increase correspondingly. With a knowledge of the main directions of credit policy, they will be able to better plan their work and to foresee the consequences of their management decisions.

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\*KOMMUNIST, No 7, 1979, p 44.

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## RESOURCE UTILIZATION AND SUPPLY

### GOSPLAN EXPERTS DISCUSS REGIONAL BALANCES, INDUSTRY LOCATION

Moscow PLANOVOYE KHOZYAYSTVO in Russian No 9, Sep 84 pp 42-50

[Article by V. Kistanov, section chief, SOPS [Council for the Study of Productive Forces], under USSR Gosplan, doctor of economic sciences, professor; I. Matveyev, deputy subdivision chief, USSR Gosplan; P. Semenov, deputy department chief, USSR Gosplan; and S. Tokarev, deputy chairman of SOPS, under USSR Gosplan: "Territorial Balance Sheets -- An Instrument for Planning the Placement of Production (Questions of Methodology)"]

[Text] On the basis of the materials of the 25th and 26th CPSU Congresses and the decisions of the party and government concerning the further improvement in the placement of the productive forces, in recent years a number of major measures have been carried out to reinforce the organizational and methodological base of planning in that area.

There has also been an improvement of the balance-sheet work in planning the placement of the productive forces, and the comprehensive development of the union republics and the economic regions.

The system of material, value, and other balance sheets has always been an important instrument in socialist planning. Previously, tentative territorial balance sheets used to be developed. The balance-sheet computations of the production and consumption of individual types of mass output, by the individual republics and regions, were carried out when preparing the first five-year plans, and also during the subsequent period. During the years of the prewar five-year plans, for example, they played an important role in carrying out the regionalization of the leading branches of industry, the organization of the union-level and local production bases, the determination, for example, of the interregional ties in the Urals-Kuznetsk Combine, the substantiation of the new specialization for rolling mills, etc.

However, those computations, as a rule, were carried out in a simplified manner, in the form of schematic interregional transportation balance sheets; they did not have a sufficiently reliable normative base; they were distinguished by the limited nature of the products list; were based on traditional (approximated) methods of evaluating the parameters; were made irregularly and were not regulated by any officially established procedure or methodology. The statistical summaries of the interregional exchange were

prepared periodically by the transportation ministries, USSR TsSU [Central Statistics Administration], and the agencies of material-technical supply. naturally, the approximated and unsystematic balance-sheet computations limited the capability for the thorough substantiation of the desirable territorial and economic ties, the determination of the regions in which there were actually surpluses or shortages, and the balancing, on their basis, of the production and consumption of output.

At the present time the problem of improving the transportation and economic ties has taken on special acuity as a consequence of the tremendous scope of production and shipments. The share of transportation is 6-8 percent of the value of the output for the consumers, and for fuel, raw materials, and building materials, 40-50 percent. The transportation expenditures of the national economy in the sphere of circulation exceed 55 billion rubles (see "Ekonomicheskkiye problemy razvitiya transporta" [Economic Problems in the Development of Transport], Moscow, "Transport," 1982, p 13]. The existing large inefficient interregional flows of freight are largely determined by the shortcomings in the placement of the productive forces.

In particular, energy-intensive enterprises (especially in ferrous metallurgy and chemical industry) continue to be located and expanded in the fuel-scarce European regions of the country. Considering the fact that these types of production play a large role in the development of the region and entire industrial complexes are formed, the consumption of fuel and electrical energy by them is increasing more and more. For example, according to computations made by SOPS, under USSR Gosplan, a major metallurgical combine requires for each million tons of rolled metal to be produced 1.2 million tons of technological and energy fuel (expressed in conventional terms), and together with the directly concomitant machine-building and chemical production entities, 2.6 million tons. All this causes considerable excessive and expensive flows of coal, gas, and petroleum from the east to the European part of the USSR.

In addition, a large amount of substandard coal (unenriched coal, coal with increased moisture content) is also shipped. Computations indicate that at the end of the 10th Five-Year Plan, if there had been precise observance of the standards, it would have been possible not to ship 20-25 million tons of excessive freight. Because measures were not taken promptly to convert the TETs [heat and electric-power plants] and boiler rooms of the Central Economic Region to the local fuel, one still observes counter shipments and intersecting shipments of Kuznetsk and Donets coal. Other shipments that are just as inefficient are the shipments of Kuznetsk fuel to Central Asia, and coal from the trans-Baykal to the Far East. In addition, there are counter shipments of coking coal from the Kuzbass [Kuznetsk Coal Basin] and coke from the plants in the Ukraine. As a consequence of shortcomings in the placement and specialization of the petroleum refineries, one observes a large volume of counter shipments of both products, of various kinds, and also of crude petroleum.

The lag in the development of capacities for the processing of timber in the eastern regions is leading to inefficient long hauls of logs to the west, and, in the opposite direction, paper and cardboard. In 1980 railroads carried 5.5

million tons of logs from the east, although it is well known that the transporting of unprocessed timber requires 35-40 percent more rolling stock than the transporting of lumber. Approximately 400,000 tons of timber output is transported to Central Asia from the Far East.

More than one billion tons, or one-fourth of all the freight being carried by rail transportation in the country, represents the share of mineral-type building materials. In individual economic regions they constitute 35-40 percent of the rail shipments, with some enterprises shipping them from the oblasts, krais, and ASSR's, and others having the identical types of structural elements and building materials shipped into the same areas.

Because of the fact that, for a number of rayons, there is a lack of balance with regard to the production and consumption of metal from the point of view of volume, and also because of the lack of provision with the necessary assortment, counter shipments of rolled metal constitute tens of millions of tons (see PLANOVOYE KHOZYAYSTVO, No 4, 1981, p 80). A large reserve for reducing transportation expenditures lies in optimizing the ties with regard to the output that is intended for general machine-building application. Thus, according to computations made by SOPS, the average actual radius of ties established on a cooperative basis constitutes, for forgings, 1700-2000 kilometers; stampings, 1300-1500; and the efficient radius is, respectively, 500-600 kilometers, or 27.7-40 percent of the larger figures.

Because of the fact that there is no state of balance between the production and consumption of output, the freight flow in the railroad sectors from east to west surpasses by almost twice the volume of the reverse shipments, and this causes a large number of empty railroad-car runs and an increase in the costs of the freight shipments.

The preparation of territorial balance sheets at the present-day stage makes it possible to carry out at a higher level than previously the planning of the placement of the production forces and the interregional transportation and economic ties for the long-term view, and to locate and prevent not only the counter shipments, but also the excessively long shipments of freight. This will provide the opportunity to improve the placement of the branches of the national economy and the branches of industry, and to improve the material-technical supply, to optimize the transportational freight flows, and also to optimize the correlation between the production and consumption of the basic types of output in the republics and regions, and to take more complete consideration of the material resources in the nationwide balance sheets and plans for distribution.

The nationwide territorial balance sheet -- a variety of material balance sheets -- corresponds to the balance sheets of the branch and interbranch type with regard to the products list of output and the volumes of its production. Its indicators reflect, in the cross-section of the union republics and the economic regions, the reproduction of the particular type of output and the quantitative correspondence between its resources (according to sources of receipt) and their distribution (according to areas of use), with a consideration of the interrepublic and interregional exchange.

In the overall system of planned balance sheets, something that comes directly close to these territorial (interregional) balance sheets are the regional material balance sheets of the union republics and economic regions (according to types of output) and branch (product) nationwide material balance sheets. At the next level, the medium level, in the system is the subsystem of interproduct balance sheets (expressed in physical terms) -- the nationwide ones, for the individual republics and regions, and the territorial (interregional) ones. Finally, by way of the corresponding interbranch (cost) balance sheets, ties extend to the higher level -- the balance sheets for social product as a part of the planned balance sheets for the national economy (for the country, individual regions, and in the form of interregional balance sheets).

The territorial balance sheet, on the basis of its content and methodology of computations, has on the one hand, a certain similarity to the nationwide (and regional) material balance sheet, and, on the other hand, has its own specific nature, which lies in the depiction of the interregional exchange and in the taking into consideration (chiefly by means of the norms and standards) the regional peculiarities of reproduction.

In accordance with the Standard Methodological Instructions for Developing Territorial Balance Sheets for the Production and Distribution of the Most Important Types of Output, which were approved by USSR Gosplan and USSR Gosstat on 5 October 1982, the documentation for preparing these balance sheets includes: the basic (composite) balance sheet for the assigned products list of output and the network of regions; additional computational tables that detail the basic items in the balance sheets; and the territorial balance sheets for a more extended products list of output and the network of regions. To the planned long-range balance sheets is appended an explanatory note with an analysis of the fundamental changes in their indicators as compared with the preplanning long-range (optimal) and reporting balance sheets.

The territorial balance sheets are prepared at stages of the branch schemes for the placement of production, the basic areas of the long-term plan and the five-year plan according to a single methodology with a consideration of the overall principles of developing the branch material balance sheets and the regional peculiarities of the reproduction of output. At each of these three stages, provision is also made for the existence of stages in making the computations (preliminary, refined) for purposes of guaranteeing greater substantiation and reliability, and that constitutes their difference from the nationwide material balance sheets. In order to make the computations, use is made of normative and statistical methods, as well as forecasting methods. The products list and the network of the regions are consolidated in the territorial balance sheets. The elements of the composite balance sheets are determined by totaling the indicators of the territorial balance sheets that were developed according to a more extended products list and network of regions in those instances that that is necessary for the optimized branch computations.

The first table in the composite territorial balance sheet, which table reflects the regional formation and distribution of resources, is basically constructed according to the scheme for the nationwide balance sheet.

In that table the expenditure (distributive) part of the balance sheet includes the items that indicate the directions for the distribution of the material resources for satisfying the planned needs of the national economy: "distribution - total," including "consumption," "shipping out" (to other republics and regions), and "other needs." The income (resource) part has the items that characterize the sources of the formation of the material resources with the purpose of their most complete consideration and involvement in national-economic turnover: "resources - total," including "production," "shipping in" (from other republics and regions), and "other resources." All the indicated items are determined for each union republic and each economic region, and must correspond to the corresponding items in the branch (nationwide) material balance sheet (with the exception of the items "shipping in" and "shipping out," which are absent in the latter). The basic directions for the distribution of resources are the republics' and regions' own consumption and the shipping out to other regions, and the chief sources for their formation are the republics' and regions' own production and shipping in by way of interregional exchange.

A responsible procedure in the balance-sheet computations is the determination of the regional need for resources. The item "consumption of resources," which occupies, as a rule, the basic place in the distributive part of the territorial balance sheet (in other instances, the item that predominates is "shipping out"), is formed by proceeding from the task of satisfying the needs that the union republics and the economic regions have for material resources, with a consideration of their efficient use, the influence in the future of new conditions of production and consumption by individual branches, subbranches, republics, and regions, and especially the effect of scientific-technical progress, as well as the changes in the branch and regional structure of the economy and the need to make the structure of consumption more efficient. This item is taken into detailed consideration (in an additional table in the balance sheet) by individual directions of the regions' own consumption of resources in those regions: for production and operational needs, capital construction, and the formation of regional market (commodity) funds; by basic consumer-branches with the isolation in each of them of the most large-scale holders of capital (ministries, departments). This is the first time that such detailed computations are being made in the territorial balance sheets. The establishment of consumer-branches makes it possible, in addition, to evaluate additionally the correctness of the placement of various groups of production entities (for example, energy-intensive ones) in definite regions.

The regional need for material resources at the initial stage -- the stage of branch schemes -- is determined initially by forecast methods (extrapolation and evaluation by experts), proceeding from an analysis of the actual consumption of output during the preceding period (based on the data in the reporting balance sheets and the current five-year plan), the tendencies for its change, and the preliminary data concerning the development of the consumer-branches. After the interbranch and territorial coordination of the branch schemes, the need is refined by making a direct count on the basis of the information from the consumer-branches (including the computation norms

and standards). Then that need is adjusted on the basis of comments made by USSR Gosplan specialists when the schemes are being coordinated.

The further refinement of the need must be made in accordance with the draft plan for the basic directions in the economic and social development of the USSR. The extent of the regional consumption of the particular type of resource is taken into consideration by a different method -- the normative method: as the product of the planned volumes of development of the resource-consuming spheres (planned production program according to consumer-branches, etc.) and the planned norms (standards) for expenditure of resources [multiplied] by their physical unit. On the basis of the approved balance sheets, the need is also adjusted with a consideration of the results of their examination at USSR Gosplan and USSR Gosplan.

In order to determine the need for material resources, it is necessary to use consolidated technical-economic norms and standards -- which in a number of instances are differentiated by republics and regions -- for the expenditure of fuel and raw and other materials for the production of a unit of planned output or operations, and also the personal-consumption norms. They are formed and examined by the ministries and departments under the methodological guidance of NIIPiN [Scientific-Research Institute of Planning and Standards], under USSR Gosplan; and NIIMS [expansion unknown] and the Planning and Designing Technological Institute of Warehouse Management, under USSR Gosplan. Their development represents certain difficulties, inasmuch as there has not been sufficient experience.

These norms and standards must be scientific, progressive, and technically and economically well-substantiated, and must correspond to the level of advanced technological schemes and the organization of production. Their territorial differentiation, obviously, should be carried out in the direction of the maximum consideration of the regional peculiarities of the capital construction (seismic nature, permafrost, low and high temperatures, etc.), of industrial and agricultural production (various norms for the expenditure of Donets and Ukznetsk coal as a result of their different physicochemical properties, etc.), and the structure of public consumption (differences between the central rayons and the union republics, etc.).

The technical-economic norms and standards for the long-term view are developed with the application of special methods of computation (for example, regressive modeling). Their territorial differentiation, in the necessary instances, can be carried out by using the nationwide norms, which have been adjusted by specially developed regional coefficients (the latter can be computed on the basis of the analysis of the actual nationwide and regional norms for the previous period of many years).

When ascertaining the need for specific (especially mass) types of material resources, it is necessary to take into consideration the specifics pertaining to their consumption and the methods of computation that are reflected in the Methodological Instructions for the Elaboration of State Plans for the Economic and Social Development of the USSR. The methodology for the territorial balance sheets stipulate that the overall need for the interchangeable types of output for interbranch consumption is taken into

consideration by the appropriate scientific-research (planning) organizations. For example, the regional need for fuel, within a subdivision by types (coal, gas, etc.) for the elaboration of the territorial balance sheets as part of the branch schemes must be determined by VNIKTEP [expansion unknown], under USSR Gosplan, on the basis of the territorial fuel and energy balance sheets being elaborated by them according to a separate work program with the participation of SOPS and other scientific and planning organizations.

In determining the volumes of material resources, there is much in common with the nationwide balance sheet, and therefore it is necessary only to note the following. The item "production," which in many instances occupies the basic plan in the resource part of the territorial balance sheet (in other instances, the item "shipping in" predominates), is formed with a consideration of the expected need for the output in the particular republic or region and in other regions, as well as the local natural and economic prerequisites for the development and placement of production, and it is computed with the isolation (in an additional table in the balance sheet) of the largest producers (ministries, departments). The overall volume and the regional volumes of the production of output in the territorial balance sheets that are included as part of the branch schemes are determined initially on the basis of the branch optimization computations of the development and placement of production. After the interbranch and territorial coordination of the branch schemes, the production indicators are recomputed in conformity with the information about the refined need, which has been obtained from the consumer-branches. Then these indicators are adjusted on the basis of recommendations from USSR Gosplan during the coordination of the schemes, and subsequently on the basis of the draft plan for the basic directions in the economic and social development of the USSR.

The second table in the composite territorial balance sheet is the "checkerboard" of the interregional exchange of resources, with an indication of the regions for shipping in and shipping out.

The items "shipping in" (from other republics and regions) as part of the income part of the balance sheets and "shipping out" (to other republics and regions) in their expenditure part are defined only in the balance sheets of the given type and are an important indicator of the interregional distribution of material resources. A distinguishing feature of this methodology consists in the fact that the volumes of shipping in and shipping out of output and the corresponding regions from and to which the shipments are made, are computed in the optimal versions of the development and placement of production simultaneously with the other indicators of the territorial balance sheet, and their refinement is carried out together with the adjustment of the regional volumes of production and consumption.

The methodological instructions for the elaboration of state plans for the economic and social development of the USSR regulate in detail the procedure for carrying out the operations to optimize the branch planning decisions. However, inasmuch as difficulties when making such computations are not precluded, these indicators for shipping in and shipping out can be viewed as balancing items and can be determined at the initial stage relatively independently (if the computations of the production and consumption are also



made by the traditional methods). For this purpose one recommends a system of mathematical equations of set regression. The latter use the dependence of these items on the balance sheet upon the indicators of the other items, by way of the corresponding coefficients that indicate the influence exerted upon the extent of the shipping in and shipping out by the factors upon which they depend.

During the subsequent refinement of the territorial balance sheets for the five-year plans, the computations of the volumes of the shipping in and shipping out of material resources must rest upon more reliable, more stable indicators of the levels of production, construction-and-installation operations, commodity turnover, etc. The extent of the interregional exchange of resources can also be determined on the basis of the data (if such exists) in the interregional, interproduct balance sheet or on the basis of the interproduct balance sheets for the republics and regions (with the aid of special coefficients of dependence of the sought indicators upon the levels of production and consumption).

Territorial balance sheets are the initial base for elaborating the transportation and economic balance sheets, which, on the basis of the indicators of the overall volumes of the shipping away and the arrival of freight and their interregional distribution, make it possible to ascertain how the correlation of shipments is forming by types of transportation, proceeding from the geographical placement of the resources and ways of communication, as well as the shipments direction that has been established after regions which are experiencing a scarcity are assigned to those that have an excess according to the data on the territorial balance sheets.

For balance-sheet computations for all items, high-quality initial information must be used. Its basic sources are: report (executive) territorial balance sheets; the approved indicators for production and distribution of the output of the branches of the national economy and the branches of industry in the current five-year plan; the norm base that is used by the USSR ministries and departments, the planning agencies of the union republics, and their scientific organizations. Consideration is made of the data (if such exists) in the preliminary interbranch balance sheets that are expressed in physical and value terms (in turn, the refined territorial balance sheets can be used for adjusting the indicated balance sheets at a higher level).

If the computations of the territorial balance sheet are made by the traditional methods that are stipulated by the Methodological Instructions for Elaborating State Plans for the Economic and Social Development of the USSR, the coordination of the material resources with the needs for them, in the event that there is any original discrepancy between both parts of the balance sheet in the regional cross-section, is carried out by refining the volumes and structure of the production and consumption of resources, the planned activations of production capacities, the indicators of the existing enterprises, etc., and also the refinement of the accepted expenditure norms and standards.

In the event of a negative balance on the territorial balance sheet for individual regions (that is, when the need exceeds the volumes of the

resources), it is necessary to ascertain the opportunities for eliminating the scarcity or reducing its extent -- either by the additional attraction of resources from another source (but primarily by means of expanding one's own production or increasing the amount of output shipped in, on the basis of an analysis of the comparative effectiveness of the alternative versions); by means of the adjustment of the planning assignments for reducing the expenditure of fuel and raw and other materials, or by replacing the scarce resources by others; or by combining all the indicated methods of achieving a balance.

In the event of a positive balance in the balance sheet, it is necessary to consider first of all the opportunities for expanding the shipments of output to other regions, for exporting the output, and for supplementing the material reserves. It must be kept in mind at such time that these shipments can be guaranteed by resources only by drawing on the region's own production. Last of all, one poses and resolves the question of reducing the planned scope of production of the particular output and the introduction of appropriate correcting factors into the original drafts for the placement of the productive forces.

Proceeding from the importance and the great complexity of the organization of the work involving the territorial balance sheets, USSR Gosplan and USSR Gosstat prepared in 1981 the Statute Governing the Procedure and Deadlines for Elaborating Territorial Balance Sheets for the Production and Distribution of the Most Important Types of Output.

It has been established that the territorial balance sheets are computed according to a products list (in physical units and conventional indicators) which has been accepted in the branch schemes, with the mandatory inclusion of items that have been stipulated by the basic directions for the economic and social development of the USSR. Practically speaking, the balance sheets must be oriented toward the products list for the five-year plans, according to which list the indicators of production and capital construction are submitted to USSR Gosplan in the territorial cross-section (approximately 120 items).

The statute that governs the territorial balance sheets provides for the preparation of balance sheets, which are to be approved by USSR Gosplan and USSR Gosstat, according to a products list that includes approximately 80 different items in the cross-section of the union republics and the major economic regions. This products list encompasses all the large-tonnage freight items (petroleum, coal, ferrous metals, timber, etc.), as well as the basic types of energy-intensive output (synthetic rubber, resins, plastics, synthetic fiber, etc.), the production of which requires the expenditure of a large amount of fuel. All told, they account for more than 70 percent of the rail shipments.

The network of regions for which the balance sheets are being elaborated has been defined by the Statute in conformity with the territorial cross-section of the basic directions for the economic and social development of the USSR (five-year plans). In addition to the 15 union republics, it includes 11 economic regions in the RSFSR, 3 in UkSSR, and 3 interrepublic regions -- the Baltic, Trans-Caucasian, and Central Asian.

The system of territorial balance sheets includes report (executive) balance sheets and long-range (preplanning, planning) balance sheets.

The report balance sheets are prepared by USSR Central Statistics Administration according to a special methodology within the deadlines established by USSR Gosplan, and serve as the informational base for computing the long-range balance sheets and monitoring their implementation.

Preplanning long-range territorial balance sheets are prepared by the USSR ministries and departments for the final years of three five-year plans in the schemes for the development and placement of the branches of industry, on the basis of indicators for the optimal computations for the recommended version of the scheme. These balance sheets are used for elaborating the indicators of production and capital construction in the territorial cross-section when preparing the draft plan for the basic directions in the economic and social development of the USSR, and also for elaborating the schemes for the optimal freight flows for mass freight types (schemes for normal directions of freight flows).

The planning balance sheets are elaborated by the USSR ministries and departments for the final years of two five-year plans on the basis of the preplanning balance sheets with a consideration of the indicators in the draft plan for the basic directions in the economic and social development of the USSR, which was submitted to the USSR Council of Ministers. These balance sheets are used to elaborate the indicators of production and capital construction in the territorial cross-section when preparing the draft plan for the next five-year plan, and also for refining the schemes for optimal freight flows.

The territorial balance sheets that have been elaborated for the final year of the next five-year plan on the basis of the products list for the types of output which have the large freight tonnages and which are the most energy-intensive are put into conformity with the indicators in the draft version of the plan that was submitted to USSR Council of Ministers. are considered jointly with USSR Gosplan and USSR Gossnab, are approved, and are used in accordance with the Statute Governing the Procedure and Deadlines for Elaborating Territorial Balance Sheets.

It has been stipulated that, on the basis of the findings of USSR Gosplan, the Gosplans of the union republics, and their subordinate organizations, these computations are to be modified by the ministries, and the refined balance sheets are submitted to USSR Gosplan and USSR Gossnab for review and subsequent approval.

On the basis of the standard Methodological Instructions for elaborating the territorial balance sheets, with a consideration of the requirements stated in the methodological documentation dealing with elaboration of the state plans, as well as the branch and territorial schemes for the development and placement of production, the USSR ministries and departments elaborate, and with the coordination of SOPS, under USSR Gosplan, and NIIMS, under USSR Gossnab, approve the branch methodologies, which must take into consideration

the overall and regional peculiarities of the production and consumption of various types of output.

When preparing the branch schemes for the period until the year 2000, territorial balance sheets began to be included in this preplanning documents for the first time. However, this work is being carried out by the ministries and departments at a rate that is still insufficiently active. The submitted balance sheets contain serious deviations from the established procedure and methodology of elaboration. For example, in the scheme for the development and placement of ferrous metallurgy, the territorial balance sheets are completely absent, whereas they should be elaborated according to a products list that includes 18 items. The scheme for the coal industry contains only computations of the need for that fuel in the union republics and the economic regions. There is also no data concerning the interregional correspondence of output in a number of balance sheets for building materials -- wall materials, non-ore materials, prefabricated reinforced concrete). In the last instance there is also no composite (interministerial) balance sheet. In the branch schemes for the timber and wood-processing industry, no territorial balance sheet for furniture has been submitted. In the balance-sheet computations for the production and distribution of logs, the balance sheets that have been elaborated are not territorial ones, but regional ones (that is, without the interregional correspondence of shipping in and shipping out of the output). The preparation of the report balance sheets in the system of USSR Central Statistics Administration has not yet been smoothly organized.

In the further work on the territorial balance sheets, it is necessary to preclude the appearance of any substantial errors or areas in which additional work is required, for example, the limiting of them to a products list that is too narrow, its excessive emphasis on the initial stage of the computations (petroleum products, rolled metal, etc.), the lack of the necessary coordination among interrelated types of output (coal, gas, electric energy, and energy-intensive output, etc.), the failure to observe the established regionalization (failure to establish economic regions in the RSFSR and UkSSR, operating with an oblast reserve, etc.), the underestimation of important changes in the normative base (especially as a result of the improvement of technological schemes), and the insufficient regional differentiation of norms and standards.

The 1984 plan for operations at ministries and departments in preparing the branch schemes provides for the modification and adjustment of the territorial balance sheets. After they arrive at USSR Gosplan and USSR Gossnab, the appropriate work will also be done with them there. In addition, the ministries and departments must prepare themselves thoroughly for the elaboration of fully valid territorial balance sheets as part of the branch schemes that will be prepared for the next planning period (including the preparation of branch methodologies, systems of a primary products list, norms, and standards, the analysis of the report balance sheets, etc.).

The improvement of the elaboration of the territorial balance sheets will make it possible to raise the level of planning of the national economy, to guarantee the choice of the most effective paths for achieving high final

results in the national economy, and improving the interbranch and interregional proportions and the balanced state of economic development.

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CSO: 1820/50

RESOURCE CONSERVATION CONFERENCE HELD IN NOVOSIBIRSK

Moscow MATERIAL'NO-TEKHNICHESKOYE SNABZHENIYE in Russian No 7, Jul 84 pp 40-43

[Report: "Scientific and Technical Progress and Reducing Materials Consumption"]

[Text] A scientific and practical conference was held in Novosibirsk. It was organized by the oblast directorate of the scientific-economic society, the West Siberian Main Territorial Administration of USSR Gosplan, the Novosibirsk Institute of the National Economy and the oblast office of USSR Gosbank. The participants--party workers, specialists from the economic region's supply and sales, planning, financial and statistical agencies--studied problems of further intensifying production, improving material and technical supply, perfecting management relations and stimulating the efforts of the labor collectives to conserve resources.

Reports and informational talks were presented by Academician A.G. Aganbegyan, chairman of the oblast administration of the scientific-economic society; I.G. Dubovskiy, deputy chief of the West Siberian Main Territorial Administration of USSR Gosplan; A.D. Nikiforova, deputy chief of the Zapsibkhimlegsnab Association; V.I. Cheplakov, acting director of the Novosibirsk Oblast Office of USSR Gosbank; V.G. Zhenov, dean of a department at the Novosibirsk Institute of the National Economy; G.S. Arzhakov, deputy general director of the Tyazhstankogidropress Production Association in Novosibirsk, and others.

The participants in the scientific and practical conference noted that the accomplishment of the tasks advanced at the 26th CPSU Congress for the accelerated conversion of the economy to the path of intensive development depends primarily upon the efficient use of material, financial and labor resources. This is why it is important to thoroughly improve the management system, to adopt the achievements of scientific and technical progress on an extensive basis, and to constantly improve state discipline. A great deal is being done for this purpose during the current five-year period. Management relations are being improved, progressive technology is being introduced, and comprehensive programs are being implemented to reduce the consumption of materials in the national economy.

The conference participants stressed the fact, however, that existing possibilities for conservation are not being fully utilized by far. The speakers were unanimous in the opinion that the strategic way to enhance effectiveness in the use of material and technical resources is linked to the acceleration of scientific and technical progress and the raising of all sectors of the national economy to a new technological level. In accordance with the well-known decree of the CPSU Central Committee and the USSR Council of Ministers, we must develop and set up the production of a new generation of technical systems providing a comprehensive effect in industry. They will help not only to successfully accomplish the management tasks, but also to reduce the consumption of materials in production and increase output of the finished product per unit of fuel and raw materials.

An analysis of the work being performed to make efficient use of raw materials, fuel and energy resources in the West Siberian Economic Region occupied an important place in the reports and talks. It was noted that Novosibirsk Oblast is making a considerable contribution to the reduction of materials consumption. The development and implementation of a system of economic, organizational and moral measures to interest the directors and workers, scientists and designers in making thrifty use of raw and processed materials, fuel and energy are contributing to this.

The experience of developing the Novosibirsk-Metal special, comprehensive program deserves some attention. Specialists from industrial enterprises, economists and branch, VUZ and academy scientists are helping to develop it. The program is designed to enhance effectiveness in the use of metal by introducing waste-free technologies or technologies involving little waste, resource-conserving equipment and progressive designs in production, by making more extensive use of economical, light-weight sections, as well as substitutes, and by putting commercial by-products into economic circulation.

The Novosibirsk-Metal program has several sections. One of them, the Novosibirsk-Tool section, involves improving the use of tools and increasing its effectiveness, the extensive introduction of modern types of tools made of super-hard materials which increase labor productivity and conserve metal-working tools made of scarce tungsten-containing alloys and high-speed steel.

The comprehensive program defines ways to conserve metal not only in the production sphere, but also in the transportation and warehousing process, and resolves the problem of controlling spare parts and making better use of all types of products. It assigns an important place to measures which do not require capital outlays for their realization and which involve mainly improving the rate-setting process and putting the inventorying and storage of rolled ferrous metals and pipe into order.

An analysis shows that the successful operation of the outstanding enterprises is assured by a precise system of production control, a high level of organization in each section, strict regulation of the labor processes, and personal responsibility on the part of those in charge for their decisions. An effective and consistent campaign to conserve resources is an integral part of this work.

This is how the matter is organized at the Novosibirsk Tool Plant, for example, where materials are used thriftily and carefully. And this is producing perceptible results. While 3 years ago the enterprise used around 380 tons of rolled steel to produce 1 million rubles worth of finished product, the amount has now been reduced by almost 30 tons. It has developed an automatic line for molding the forged parts of pliers jointly with Voronezh scientific research institutions. It makes it possible to save more than 370 tons of various types of expensive tool steel. A technology involving little waste for producing the tools and powder metallurgy are used at the enterprise. All of this is helping to raise the coefficient of metal use considerably.

The conference participants commented on the highly effective campaign for thrift based on personal conservation records and personal creative plans for workers, engineering and technical personnel. The Ob' Leather and Footwear Production Association in Novosibirsk is important in this respect. It implements a special comprehensive program for conserving raw and processed materials, fuel and energy. The consumption of box-calf and stiff leather goods, textiles and artificial fur is monitored on a daily basis. The workers who cut out cloth or leather patterns, for example, begin work with a cut-out assignment indicating the number of items and the planned consumption of materials. They therefore know how many and what kind of items can be produced of the raw materials saved and what the reward will be for the saving. A great deal is done in the association to combine the personal interests of the workers with the interests of the entire enterprise. As a result, more than 670,000 rubles worth of raw and processed materials was saved last year alone.

The oblast's scientific capability is being used effectively for resolving problems of resource conservation, and science's ties with production are growing stronger. The production of parts using the energy from a blast has been set up at the Siblitmash plant, for example, based on work performed by the Institute of Hydrodynamics of the Siberian Department of the USSR Academy of Sciences. The progressive technology makes it possible to reduce the consumption of copper alloys almost 20-fold and to increase labor productivity almost 4-fold, as well as to increase the service life of the products.

Numerous examples of the thrifty use of materials were cited at the conference. Attention was mainly focused on analyzing shortcomings and unutilized possibilities, however. Not all of the oblast enterprises and organizations are coping with their assignments for conservation and efficient use of raw and processed materials. There are still large losses of coal, petroleum products and electric energy, as well as metal, cement and lumber.

Stocks of material commodities are great and are continuing to grow at industrial enterprises and in construction organizations. Above-normal leftovers of raw and processed materials and equipment not covered by credit grew by almost 7 percent last year, whereas the industrial production volume increased by only 0.4 percent. A large quantity of uninstalled equipment has accumulated at plants and in organizations in the oblast. This is due to breakdowns in the start-up of production capacities and the construction and installation plans. The slowdown in the turnover of circulating capital and the growth of above-normal stocks of material commodities, in turn, are due to the nonfulfillment of planned assignments with respect to list and mix, to frequent plan adjustments and the submission of



requisitions which do not take into account materials and equipment available at warehouses of the enterprises and construction projects.

The conference participants stressed the fact that all of these cases are an indication of serious deficiencies in the performance of the West Siberian Main Territorial Administration. Its own organizations and those under its jurisdiction are doing little to draw above-normal stocks of materials into economic circulation and are not using many effective possibilities for regulating deliveries of products. It has been recommended that the territorial supply agency accelerate the development of a program which will make it possible by means of electronic computers to obtain timely information on the availability, the amount and the value of various types of raw and processed materials and assembly parts stockpiled at enterprises in the region and requiring redistribution.

The conference participants noted that a great deal is being done in the West Siberian Economic Region to further develop the sub-sorting of metal products. The extent of this process is still clearly inadequate, however. Consumers in most of the economic regions are assigned to sub-sorting operations located in areas with limited navigation periods. The ceilings placed on mixed rail and water shipments must therefore conform to shipment volumes for those regions and take the season into account.

Circulating stocks of metal must be increased in the Novosibirsk sub-sorting zone in order to further develop the sub-sorting volumes. This will make it possible to maneuver resources more effectively. The pressing need has arrived to establish specialized bases in the West Siberian and East Siberian regions and to charge them with the sub-sorting of products from the machine building industry.

In order to make a comprehensive evaluation of the effort to develop and improve inter-rayon warehouse shipments it would be expedient to introduce a system of interrelated indicators reflecting the quality of the supply process. Indicators of the level of inter-rayon warehouse shipments, the satisfaction of needs by assortment and the filling of requests for sub-sorting, and the stability of enterprise operations could serve as the criteria.

The conference underscored the fact that the task of material and technical supply agencies involves not simply the distribution of resources among the consumers, but also the thorough study of the engineering and economic substantiation of the requests, and checking to see that the enterprises and associations are using the raw and processed materials properly. Checking the substantiation of resource consumption norms, the fulfillment of conservation assignments and the preservation of materials is an important part of this work.

In order to accomplish this task it will be necessary to overcome the inertia in the minds of management personnel and to shape the contemporary economic thinking, socialist enterprise, initiative and the ability to get things done which must be present in all those who value that which furthers the assigned job. The conference participants directed attention to the need for more vigorous dissemination of economic knowledge and the development of thrift and careful regard for the people's wealth, and a sense of being in charge, of participating in everything occurring in the shop, at the enterprise and at the construction site.

Intensification of the role of the financial and the credit and settlement mechanisms is particularly important in the campaign for efficient use of the production capability which has been created, with thorough conservation of material, labor and financial resources. Monetary turnover, the conference participants stressed, makes it possible to check the effectiveness of the entire management system from the angle of monetary relations. The financial and credit levers should "work" on the economy more actively.

The fact is that as production volume increases, there is also a continuous increase in stocks of commodity materials at enterprises. They considerably exceed standard amounts at the present time. This is a result of deficiencies in the supply of raw and processed materials, the plants' failure to fulfill production plans and the irregularity of deliveries, as well as the delivery of materials without considering the need for them. The following fact was cited at the conference. Stocks of materials were 45 percent above the standard level in the Severyanka Sewn-Goods Association last year. Characteristically, the rate of increase in leftovers of normed stocks was 16 percent above the 1980 level, while production volume fell to 94 percent of the 1982 level.

When USSR Gosbank offices issue loans, they are required to consider the factors contributing to the formation of above-normal stocks of commodity materials. Credit methods of control combined with economic accountability are designed to assure the most thrifty use of all types of resources. In order to encourage the use of above-plan materials the bank should issue loans only under terms which involve measures to draw excess stocks of materials into economic circulation. The conference participants once again stressed the need for a more determined and consistent effort to use the ruble as a means of controlling all of the economic and financial functioning of enterprises and organizations, improving performance and encouraging fuller use of circulating capital.

Credit pressure should be applied also to those enterprises which are not fulfilling production output plans and which are permitting production costs to increase. The speakers noted that the bank had done the correct thing when it withdrew credit for a year from the Tyazhstankogidropress Production Association in Novosibirsk for failing to keep track of the costs involved in producing specific items. This association is operating blindly, without knowing what a specific product costs or the level of profitability from its production.

The creation of economic conditions which encourage quality, highly productive work is an extremely important factor for perfecting the economic mechanism. The conference participants considered specific examples of the influence of economic norms on the economic functioning of enterprises. They concluded that better use is made of all types of resources where such norms are successfully applied.

The conference devoted a great deal of attention to problems of perfecting direct, long-term economic ties. It was pointed out that these ties are in fact not always stable, because they are developed without taking into account the five-year plans for production and distribution of output among the stockholders. The delivery volumes are adjusted and the suppliers change every year. When they load production by assortment and distribute orders, supply and sales organizations of the manufacturing ministries frequently do not consider the products

list, schedules and other delivery terms contained in agreements on the organization of direct, long-term economic ties, although this is precisely what should distinguish them from ordinary contracts.

The conference recommended stepped-up control over the functioning of the ministries with respect to their alteration of production plans and amounts of materials allocated for the entire period during which the direct ties are in effect. All adjustments should be made only by the directing agencies and in good time, to make it possible to precisely specify product delivery volumes in accordance with the attachment plans and long-term contracts.

The very methods used for converting suppliers and consumers to direct, long-term economic ties need to be rectified. These methods were worked out more than 10 years ago, and many of their provisions, especially those pertaining to the planning and organization of the work, are now obsolete. The criteria for converting to this system of supply, for example, are defined by the number of transit norms per year for the various types of products delivered to a single consumer. Such artificial limitations hamper the extensive development of progressive methods for providing the enterprises with materials.

In order to correct the deficiencies which exist in the system, we must refine the current Statute and work out a comprehensive plan of measures assuring further development of the network of wholesale stores and their specialization.

Technical equipment rentals are extensive in many territorial agencies. They amount to around 2 million rubles in the West Siberian Main Administration, for example.

In short, experience has demonstrated that technical equipment rentals produce a significant economic effect. Their possibilities are not being fully utilized, however. Suffice it to say that the value of inactive instruments and computer equipment in the nation exceeds 15 percent of the annual output for the Ministry of Instrument Making, Automation Equipment and Control Systems. It has been calculated, for example, that a third of the laboratory equipment in the possession of the consumers is obsolete or worn out. The average "age" of the instruments is 15 to 20 years or more. This complicates the problem of repairing the equipment and providing spare parts for it.

Participants expressed a desire for more active development of the system of providing technical equipment on a short- and long-term rental basis for one-time and joint use. Additional efforts will be needed, of course, to eliminate departmental barriers and set up rental organizations in the branches not only for technical equipment, but also for construction machinery, machine tools, hoisting and transporting equipment, and rolling stock.

It is also important to draw unutilized equipment into economic turnover by intermediate rental, and to develop its materials and equipment base. The cost of developing rentals is repaid in less than a year, after all (a saving of 3.3 rubles per ruble). The rental of test and experimental models could be set up for determining how effective the new equipment is. Regional centers for the joint use of expensive equipment which is difficult to service would be highly beneficial.

After discussing and analyzing the reports, the scientific and practical conference worked out some recommendations. Their adoption will help to further improve the work of conserving materials and equipment, to improve the economic functioning of management agencies and to reduce the consumption of materials in the national economy.

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1984

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CSO: 1820/28

## REGIONAL DEVELOPMENT

### INTERREGIONAL INTEGRATION--MAJOR FACTOR IN INTENSIFICATION

Moscow EKONOMICHESKIYE NAUKI in Russian No 9, Sep 84 pp 44-49

[Article by I. Davlatov, docent and candidate of economic sciences, Dushanbe]

[Text] Party documents of recent years have emphasized consistently the special significance of accelerating in every possible way the intensification of public production. The rate of economic development, improvements in the people's well-being, and the strengthening of our country's defense capability and international positions all depend largely on the successful resolution of this task.

Planning, as well as scientific-technical and structural policy, must be subordinated to the resolution of the task of accelerating intensification. Methods of economic management and policy in the area of management must work toward intensification.<sup>1</sup> Despite the fact that the conditions of economic management have specific features in various regions, the intensification of production is a general strategic direction in CPSU economic policy and in the all-around improvement of developed socialism.

It is well known that our country has already resolved successfully such complex socio-economic and political tasks as leveling out (for the most part) the socio-economic development of the republics and regions and ensuring their actual equality, as well as forming a single national economic complex for the USSR. This has been achieved largely as a result of the steady consolidation and improvement of scientific-technical, production and other kinds of interaction among various regions. At the present time the USSR economy has achieved such a high level of development in its interregional economic interrelationships that further increases in the volume of output or reductions in per unit expenditures for that output depend to a significant measure on the improvement and optimization of interregional cooperation, scientific-technical and investment ratios, on the state of the interregional infrastructure and on the distribution of labor resources among regions.

Interregional economic integration is objectively determined by the territorial division of labor and the presence of relatively independent (from the viewpoint of a given distribution) reproductive subsystems of the economy. It constitutes a system of relations and links which are developing in a planned manner and which are constantly being improved as part of the process by which regional economic systems complement one another.<sup>2</sup> Interregional integration arises from the end goal of socialist production and from the need to optimize economic structures; it can be viewed as creating a qualitatively new labor production force, which greatly exceeds the arithmetic sum of the efforts of individual regions.

Under the influence of the scientific-technical revolution and the intensification of the social division of labor, the differentiation of production is becoming one of the most important trends in the latter's development, and this means the multiplication of production links in the economy. Academician M.V. Glushkov has calculated that in recent decades the law of quadratic increase in economic-production links has manifested itself increasingly with regard to the volume of production; the absolute numbers of such links in the national economy is reaching a magnitude of  $10^4$ - $10^6$ .<sup>3</sup> Under these conditions the process of expanding reproduction in many sectors of material production and the infrastructure crosses the boundaries of individual regions and republics.

Integration as the reverse side of differentiation of public production, as an integral system of objectively determined relations and links which are developing in a planned way among all the components of a single national economic complex, a system which attributes to them an integral nature, acts as a universal form in the functioning of public production, a form which is based on the division of labor. Cooperative ties, which previously played a role as an auxiliary factor, even in a certain sense as an "external" factor of expanded reproduction, are being turned into an essential condition for the dynamic and effective development of the economies of individual regions as well for the development of the national economic complex of the country as a whole.

Enormous creative potential lies in the nation-wide cooperation of labor under socialism. Under present-day conditions the intensification of the reproductive process depends largely on increasing the effectiveness of interregional cooperation and of interregional redistribution of the means of production, personal consumption funds, interregional investment and scientific-technical links, and migration processes. Interregional integration exerts a very direct influence on the concentration and further socialization of production, on the improvement of national economic ratios and on the formation of optimal struc-

tures---which are oriented toward the achievement of the highest goal of socialist society--for regional complexes and for the unified economic organism of the country as a whole. The integrative interregional links are a factor in the intensification of production, and the latter, in turn, contributes to the further deepening and improvement of these links.

The significance of interregional integration for the intensification of production at the present stage can be judged by evaluating the degree of interdependence of the reproduction process (in every single one of its phases) in individual regions and republics. For example, according to the data of inter-sector balances, material production in the Kazakh SSR uses output from 96 sectors in other regions of the country. At the same time Kazakhstan supplies its output to 74 sectors of the economy in other republics. The Moldavian SSR receives from the other 14 union republics the output of 93 sectors and supplies them with the output of 72 sectors. More than 40 percent of the raw and other materials needed for the development of industry in the Latvian SSR is imported from other economic regions, and it ships beyond its borders 75 percent of its chemical industry's output, 80 percent of its machine building and metal working output and 43 percent of its light industry output. The means of production comprise a large proportion of interregional exchange. They account for about 70 percent of the output which goes outside the RSFSR and approximately 60 percent of the output brought into the republic.<sup>4</sup>

The development of integration links finds reflection in the proportion of total imports (i.e., goods which are brought into a given republic or region) and exports (goods which go outside a given republic or region) in the gross public product.

Proportion of Total Exports and Imports of Output in the Gross Social Product of Certain Union Republics, in percentages \*

Republic	Exports	Imports
Ukrainian SSR	36	36
Belorussian SSR	64	64
Kazakh SSR	25	47
Georgian SSR	64	67
Azerbaijan SSR	72	73
Lithuanian SSR	61	66
Latvian SSR	77	74
Kirghiz SSR	52	64
Tajik SSR	53	65

\* Compiled according to data calculated by A.G. Granberg. See: EKONOMIKA I ORGANIZATSIYA PROMYSHLENNOGO PROIZVODSTVA, No 12, 1982, pp 26-28.

Calculations show that in all the republics, with the exception of the RSFSR, the Ukraine and Kazakhstan, total exports exceed half of the gross public product; in Latvia and Azerbaijan they reach approximately three-quarters of the gross public product. The proportion of total imports exceeds half of the gross public product which is consumed in 12 republics, and in the majority of these it constitutes two-thirds or more. An intensive increase in the proportion of interregional links in the gross public product and the produced national income is an important indicator of the growth of the interregional integration process and of the internal unity of the country's national economic complex.

At the same time, one cannot consider the present level of interregional integration to be completely in line with the requirements of the scientific-technical revolution and the intensification of socialist production.

In those sectors which determine technical progress in the regions, especially in machine building, there exists a large gap between the possible (78-82 percent in machine building) and the actual level (12-15 percent) of component and technological specialization.<sup>5</sup> The intensification of public production and the degree of internal unity of the national economic complex depend largely on the degree to which this specialization is developed. Greater interregional specialization is also needed in light industry. At the present time the Uzbek SSR, for example, processes 4-5 percent of the raw cotton which is grown although real opportunities exist for bringing the processing volume up to 15 percent (taking into account the volume of product supplied). Tajikistan provides more than 11 percent of the cotton fiber supplied to the country. However, only 1.3 percent of the Union-wide volume of cotton fabrics is produced here, while 90 percent of the cotton thread which is produced is sent out of the republic.<sup>6</sup> At present every region of the USSR has a multitude of cotton and garment industry enterprises, which put out 50-70 different items. The lack of specialized, large-scale production, designed not only to satisfy the needs of the region, but also for export to other regions of the country, is one of the main reasons why manufactured output frequently does not satisfy the public's increased demands. Enterprises which are relatively small in size have extremely limited opportunities for improving and changing manufacturing processes and for introducing automation and assembly lines techniques. According to our calculations, the establishment of specialized large-scale production in light industry sectors of the Central Asian region can lead to an annual 3-3.2 percent increase in their labor productivity as a result of progressive changes in technology, along with a substantial improvement in the quality of output.

The intensification of a region's economy requires improvement in its sector structure, with consideration given to the developmen-



tal prospects of the territorial division of labor and the sectors of Union-wide specialization.

For example, in the Central Asian region it makes the most sense to develop a complex of industrial sectors characterized by high energy and labor intensiveness. This conclusion is supported specifically by an analysis of the sector structure of Tajikistan's economy. Industry in this republic accounts for 54.5 percent of the gross public product and 38.5 percent produced national income, 20.7 percent of those employed and 37.0 percent of the value of fixed production capital.<sup>7</sup> In recent years the labor-intensive industrial sectors, especially machine building and the garment industry, have been growing at a rapid rate. And the development of these kinds of labor-intensive, as well as material- and energy-intensive sectors and production units designed to satisfy the needs of the entire Central Asian and other regions, is the main condition for the growing effectiveness in the functioning of the Tajik SSR economy.

In this case it is essential to take into account first of all the presence of significant labor resources which are not yet fully utilized, as well as the high rate of natural increase in Tajikistan's population: 3-3.5 percent annually. At the same time, the figures available show that the proportion of people employed in the national economy in 1979 amounted to only 39.2 percent of the entire population;<sup>8</sup> this indicator is growing but its rate of growth can and should be speeded up. Secondly, the republic has major energy resources. In southern Tajikistan they amount to 250 billion kilowatts.<sup>9</sup> The hydro power resources of Vakhsh alone are equivalent to the production of 10 billion cubic meters of natural gas.<sup>10</sup> Another no less important circumstance should also be taken into account. Locating labor-intensive and energy-intensive sectors of industry in regions of labor surplus such as Central Asia also means the redistribution (indirect, not direct) of energy and labor resources for the benefit of regions which are poorly supplied with these resources.

It is our conviction that for purposes of further intensifying the economy it is essential to increase the interregional exchange between output requiring extensive processing and output which is labor-intensive and energy-intensive.

In this connection, the aluminum industry is the most promising sector of Tajikistan's Union-wide specialization and one which makes it possible to accelerate the rate of production intensification; most of this industry's output is shipped out of the republic. Exporting the output of this sector means an indirect increase in exports of electric power, the opportunity for the direct export of which from Tajikistan is still extremely limited. At present the republic's aluminum industry is repre-

sented by the Tajik Aluminum Plant, which is based on the fundamentally new technology of obtaining aluminum through the use of calcined anodes. This innovation makes possible electric energy savings of up to 6 percent on each ton of metal in comparison with the technology which is traditionally used, and at the same time it substantially reduces the emission of harmful gases, which saves significant capital investment necessary for environmental protection.<sup>11</sup> And, in turn, aluminum production contributes to the development of such labor-intensive industrial sectors as the electrical equipment and instrument industries, which are the major consumers of items made from aluminum and alloys. As a result, broad opportunities are created for the development of specialization in the production of parts and the intensification of endogenic and exogenic cooperation ties, which, as world industrial experience shows, makes it possible to organize large-scale automated production with highly specialized daughter plants in various regions.

The cotton ginning industry is an important sector of Union-wide specialization of the Central Asian region. The region has 140 cotton ginning plants which carry out the primary processing of cotton and manufacture fiber for the textile industry. More than nine-tenths of this sector's output is shipped outside the region.<sup>12</sup> In addition, the light industry sectors which produce cotton cloth, knitted-wear, ready-to-wear garments and leather footwear have received broad development. But, as analysis shows, the level of specialization in light industry sectors does not fully meet the requirements of comprehensive intensification of public production.<sup>13</sup>

Of course, improving the sector structure of the region's industry presumes the comprehensive development of the traditional sectors of Union-wide specialization. This concerns first of all the development of the region's agro-industrial complex, which is called upon to make a substantial contribution to the implementation of the country's Food Program. The agro-industrial complex in the Central Asian region accounts for 65 percent of the gross and 67 percent of net output, as well as 70 percent of the people employed in material production. The Central Asian region provides 90 percent of the Union-wide production of raw cotton, including 100 percent of the fine-fibered varieties, as well as 90 percent of the natural silk and astrakhan. The development of the comprehensive "Khlopok" (Cotton) Program provides for a qualitatively new step on the way to intensification of the agro-industrial complex; the purpose of this program is to satisfy more fully the needs of the economies of the USSR and the socialist countries for cotton and the products of its processing. It constitutes a system of scientific-research, production and organizational-economic measures the implementation of which ensures the intensification of all units of the economic cotton complex.<sup>14</sup> The comprehensive "Khlopok" program provides for a

qualitatively new level of socialization in socialist regional production because it encompasses all phases of the reproduction process. It unites the efforts of all the cotton-sowing regions of the country and directs them toward the achievement of the highest economic end results.

The output which is produced by agriculture in the region under analysis is shipped outside that region mainly in processed form such as items of light industry and the food industry. In Tajikistan, in particular, more than 50 different canned fruit and vegetable products are produced. About 80 percent of the republic's canning industry output is sent to the regions of the Far North, Siberia and the Far East. Given the implementation of the country's Food Program, further intensification of the territorial division of labor requires that more agricultural products be exported, especially taking into account the fact that the vegetables, fruits, grapes, melons and other crops grown in this region differ sharply from those other regions in terms of quality.

The interregional (direct and indirect) redistribution of national income is a factor in the intensification of public production. The functioning of the country's economy as a unified national economic complex presupposes as well the implementation of a single investment policy. The volume of investment for each region is established by the state not on the basis of local needs, but rather on the basis of the goal of achieving high general end results without, of course, encroaching on the interests of individual republics and regions.

Investment programs can be divided into two types on the basis of the degree of their influence on the intensification of the economy: there are programs for regions which have been settled for a long time and programs for newly developed regions. Programs for the first group are characterized by a predominance of reconstructive measures which are aimed at increasing the technical level of production, at introducing new technological processes, at developing new, high-quality output and at saving human and reified labor. One can include in this group a majority of the programs which are being carried out in the European part of the USSR, the Baltic republics and to some extent in the Trans-Caucasus. The second type of program is distinguished by a large proportion of new construction and by the primary formation of the major part of the production and social infrastructure. The purpose of these programs is to provide for the growth of social production by drawing new natural resources into economic circulation, to develop new lands, and to draw additional workers into the production sphere. In general, the republics of Central Asia and a majority of the regions in Siberia and the Far East can be put in the category of pioneering development regions. Here the capital investment growth rate

substantially exceeds the rate of growth in local accumulation sources; capital investment is provided through the redistribution of national income. This kind of redistribution of national income is economically justified from the viewpoint of the economic end results which are achieved. There is no need to prove this inasmuch as it is well known that the unification of economic, natural and human resources of all regions and their centralized distribution and utilization based on a single plan for economic and social development has given the peoples of our country enormous advantages.

In addition to the direct redistribution of national income among regions and republics, indirect distribution plays a part because the inter-republic exchange also takes place in a commodity form. When the export and import totals (in existing prices) do not coincide, there is a redistribution of national income. When total exports exceed imports, this means that a portion of the national income created in the region is redistributed to other regions.

Interregional (integration) redistribution of national income provides for the intensification of public production not only by making rational use of natural, economic and labor resources, by re-equipping production in a fundamental way and by using up-to-date technical achievements, but also as a consequence of further improvements in the living standards and the equalization of the socio-economic conditions for the functioning of the aggregate worker on a Union-wide scale. The social effect, brought about by the unified Soviet investment policy, which serves to bring all the nationalities and ethnic groups closer together, as well as to bring all the working people into the management of public affairs, exceeds many times over the direct advantages which are obtained as a result of the joint utilization of investment means. Let us note just one fact in this regard. The state has invested the following sums in the Uzbekistan economy for the construction of water management facilities: 844 million rubles in the 7th Five-Year Plan, 1.6 billion in the 8th, 4.7 billion in the 9th and 6.0 billion in the 10th.<sup>15</sup> Of course, these investments have provided a large economic yield in the form of growth in the output of production. But, in addition, they have changed the appearance of many regions: they have brought to life new territories, and they have transformed the entire constellation of conditions for labor and income growth for thousands of people. And this is undoubtedly one of their most important features. We would also emphasize that interregional redistribution of means within the national economy saves time which is essential for the resolution of top-priority tasks; it also provides opportunities for overcoming departmental and narrowly regional barriers and for combining in an intelligent manner Union-wide interest and the interests of individual regions, republics and agencies.

A rational migration policy, which is aimed at better utilization of labor resources within the framework of Union-wide labor cooperation, is an absolute condition for the intensification of social production at the present stage.

The interregional migration of labor resources involving a change in permanent residence is, at first glance, relatively small: it amounts to approximately 2 percent of the country's population per year.<sup>16</sup> However, this is double the natural population increase and five-times greater than the increase in labor resources.<sup>17</sup> A profound differentiation is taking place in the rate of population growth in the various regions. In the last 10 years the RSFSR has had a yearly increase equivalent to 0.5-0.6 percent, while the Central Asian republics have had a rate of 2.5-3 percent. According to available calculations, by the end of the century three-quarters of the Union-wide increase in labor resources will be provided by Central Asia, Kazakhstan and, Azerbaijan, i.e., by the republics which even now have the greatest labor surpluses.<sup>18</sup> Meanwhile, certain other regions are already unable to fully utilize their production apparatus due to a lack of manpower; this translates into losses which are calculated in the billions of rubles. In these regions, investment funds, as a rule, are not used up within the planned time periods, and the volumes of unfinished construction swell. However, in the labor-surplus regions the growth of the production apparatus and the rate at which new jobs are created lags behind the rate of increase in the able-bodied population. Here an unjustifiably large segment of the able-bodied population remains engaged in agriculture, at a time when a significant number of workers are being objectively freed from this important sector of the agro-industrial complex as the mechanization of production processes continues. In Tajikistan in particular this circumstance has led to the emergence of a definite conflict between the use of the brigade contract and the need to provide kolkhoz members and sovkhoz workers with permanent work.

The continuous redistribution of national income in favor of labor-surplus regions leads to certain disproportions in the territorial siting of production forces; it encroaches to a certain degree upon the interests of those regions which, due to the lack of manpower, cannot ensure the utilization of the capital investment necessary to the expansion of production. A realistic way out of this situation must be sought in the strengthening of interregional migration processes, which are one of the features of interregional integration.

In addition to direct interregional migration there is also indirect migration--the indirect redistribution of manpower among regions on the basis of the interregional exchange of material production factors and consumer goods. In this way many regions can save labor and material resources which they would spend on

their own production of the respective consumer valuables if the exchange were smaller. The intensive development of material-saving, fund-saving and labor-intensive branches of production in regions with a surplus of manpower, and the expansion of material-intensive and labor-saving branches in the rest constitute in this way a promising direction in the interregional integration process.

The intensification of interregional integration links conceals enormous, as yet inadequately studied reserves for increasing the effectiveness of public production and improving the welfare of the working people. The task of economic science and of economic practice is to put them at the service of developed socialist society.

#### FOOTNOTES

1. See "Materialy XXVI s'yezda KPSS" [Materials of the 26th CPSU Congress], Moscow, 1982, p 40.
2. The concept of the "region" describes a definite socio-economic organism which has a relatively separate economic interest. On the one hand, a region is an organic component of the unified subject of public management, and on the other, it acts in significant measure as a relatively independent subject of economic management which enters into economic relations with society in general and with primary self-financing associations and enterprises (See Shatalin, S.S. "Funktsionirovaniye ekonomiki razvitogo sotsializma" [The Functioning of the Economy of Developed Socialism], Moscow, 1982, pp 358-359).
3. See "Razvitiye obshchenarodnoy kooperatsii truda na etape zrelogo sotsializma" [The Development of National Labor Cooperation at the Stage of Mature Socialism], Moscow, 1979, p 32.
4. PLANOVOYE KHOZYASTVO, 1982, No 11, pp 7-8, 21; No 12, pp 11, 23.
5. "Ekonomicheskiye voprosy sovershenstvovaniya kompleksa otnosheniy sobstvennosti na etape razvitogo sotsializma v SSSR" [Economic Questions of Improving the Complex of Property Relations at the Stage of Developed Socialism in the USSR], Moscow, 1980, p 35.
6. See "Voprosy intensifikatsii i sbalansirovannosti rasshirennogo proizvodstva v period razvitogo sotsializma" [Questions of Intensification and Balance in Expanded

Reproduction in the Period of Developed Socialism], Moscow, 1981, pp 345, 368.

7. Ibid., p 278.

8. Ibid., p 354.

9. See Kh. Saidmuradov, "Sovremennoye sostoyaniye i perspektivy razvitiya Yuzhno-Tadzhikskogo territorial'no-proizvodstvennogo kompleksa" [The Present Stage and Developmental Prospects of the Southern Tajik Territorial Production Complex], Dushanbe, 1980, p 19.

10. Ibid.

11. See R.N. Nabiyeu, "Sovetskiy Tadzhikistan" [Soviet Tajikistan], Moscow, 1982, p 24.

12. See EKONOMIKA I ORGANIZATSIYA PROMYSHLENNOGO PROIZVODSTVA, 1982, No 12, p 79.

13. Unfortunately, the economic literature does not give sufficient attention to questions of specialization in the sectors of light industry, and above all to specialization on the basis of types of raw material treatment, technological methods of processing or parts specialization.

14. See KOMMUNIST, 1982, No 7, pp 78-80.

15. See V.V. Sherstobitov, "Sovetskaya gosudarstvennost' i sotsialisticheskiy internationalizm" [The Soviet State System and Socialist Internationalism], Moscow, 1982, p 41.

16. See A.G. Granberg, "The Economic Interaction of the Soviet Republics," EKONOMIKA I ORGANIZATSIYA PROMYSHLENNOGO PROIZVODSTVA, 1982, No 12, p 10.

17. Ibid.

18. Ibid., pp 11-12.

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REGIONAL DEVELOPMENT

REGIONAL PLANNING TO MEET LOCAL NEEDS ANALYZED

Kiev EKONOMIKA SOVETSKOY UKRAINY in Russian No 7, Jul 84 pp 43-47

[Article by V. Korchinskiy, section chief with the Crimean Oblast Planning Department: "Problems of Regional Orientation for the Branches of Industry"]

[Text] The task of giving industry a regional orientation is to a significant degree one of achieving fuller satisfaction of the population's demand for consumer goods. The importance of accomplishing it effectively and rapidly was underscored at the 26th CPSU Congress and the December 1983 Plenum of the CPSU Central Committee, as well as in instructions issued by the party and the government. Existing reserves, including regional reserves, will have to be used for this.

Before proceeding to a definition of the concept "branch with regional orientation," however, it is necessary to discuss at least briefly the classification of branches using the functional (from the standpoint of territorial division of labor) criterion accepted in economic science.<sup>1</sup> The term "branch of specialization" is the most widespread and enduring term. Describing these branches, N.N. Nekrasov and I.G. Shilin state that "they form a region's complex-shaping nucleus and shape its structure to a significant degree: ...they are the element determining a region's linkage with the unified national economic complex."<sup>2</sup> Within this definition I would like to especially stress the non-regional significance of branches of specialization, their orientation primarily toward the needs of the entire national economic complex.

The concept "branch with regional orientation" proposed here does not negate the accepted concepts of the "branch of regional specialization." The introduction of an additional classification is necessitated primarily by the practical goals--a more precise and scientifically based definition of the group of branches, sub-branches and production units whose development must be carried out primarily within the system of territorial administration. The special importance of the proposed classification is therefore mainly practical.

<sup>1</sup>In this case we are considering the general classification of branches within the system of state plans for the economic and social development of the USSR. See, for example, "Metodicheskoye ukazaniye k razrabotke Gosudarstvennykh planov ekonomicheskogo i sotsial'nogo razvitiya SSSR" [Methodological Instructions for the Development of State Plans for the Economic and Social Development of the USSR], Moscow, Ekonomika, 1980.

<sup>2</sup>N.N. Nekrasov and I.G. Shilin, "Yedinaya sistema otraslevogo i territorial'nogo planirovaniya" [The Unified System of Branch and Territorial Planning], Moscow, Mysl', 1980, page 9.



The term "branch with regional orientation" means the group of associations, enterprises and organizations located within the region, the main task of which is the economically and socially justified satisfaction of a specific portion of the need for their products on the part of the region itself, based on the maximum use of all types of local resources (natural and labor resources, the economic capability which has been built up, and others), and which must be managed primarily by local agencies of power, regardless of their departmental affiliation.

The fact should be especially stressed that we are not talking about a region's autarky and not about making it completely autonomous. Inter-regional exchange based on the effective use of the advantages of territorial division of labor (specialization) has been and remains the foundation for the national economic complex. We are referring to something else: Questions of regional orientation relative to sales of output and the providing of services are determined by criteria of social and economic effectiveness, and the latter objectively orient production either toward export or toward internal consumption. It is clear, for example, that the output from the gold-mining industry of the USSR's northeastern regions is designated for use by the entire national economic complex. It is equally clear that the production of a number of construction materials in this region can and must be developed with a view to the region's internal needs alone.

A region's needs cannot be reduced to consumption of the end-product, however. The entire system of resources necessary for the effective and balanced development of its productive forces for implementing the extensive program approved by the 26th CPSU Congress for social development and improvement of the people's well-being within the given region is rightly included among these needs.

This program includes the development of conditions for highly productive labor and enhancement of its creative nature, for raising the level and improving the structure of the population's consumption, improving housing and living conditions, raising the educational and cultural level, improving medical services and possibilities for rest, and further perfecting the socialist way of life. A region's needs are its requirements for resources for the effective reproduction of its productive forces and for more extensive participation in the All-Union division of labor, the resource basis for its territorial social and economic development.

Like branches of territorial specialization, branches with regional orientation are closely interrelated. Development of the organization of exchange and improvement of the system for distributing the products produced in the region can significantly alter the portions of these branches. In many cases, this alteration may also result in a partial regional orientation of the branches--that is, in a combining of the extra- and intra-regional functions. This does not change the nature of the problem, however.

In accordance with the definitions provided, the group of branches with regional orientation is extremely broad. It includes a number of branches of industry, agriculture, construction, transport, communication, municipal services, public health, culture and others.

Industry, which represents just one group of these branches, is discussed here. The term "branch with regional orientation" therefore applies only to industry. The nature and the specific features of these branches are defined by their main characteristics, which are listed in the definition cited. With respect to production, this mainly has to do with the orientation toward local needs (and toward local resources when possible); with respect to planning, it involves achieving a system of indices satisfying these requirements; and with respect to management, it has to do with subordination to local agencies of authority. The development of branches with regional orientation must therefore occur simultaneously and on the basis of a more complete combination of the principles of branch and territorial planning, and be based on the improvement of the economic machinery for regional reproduction.

The fact must be stressed that branches with regional orientation actually exist within the system of regional national economic complexes. The features and specific characteristics of branch regional orientation we have described effectively characterize all the functioning of certain branches and specific aspects of the functioning of others, and there is a clear trend toward more precise manifestation of these principles and toward their legal consolidation. In the large centers, for example, the meat and dairy industry and leading branches of the food industry are orientated practically entirely toward the needs of those centers, and the authority of local agencies of power is being expanded with respect to orienting the production of consumer goods (especially cultural, personal and household) toward local needs. The task is therefore one of defining the economic essence of this objective economic process, fitting it into a specific classification framework and defining the forms and methods of affecting its development according to a plan.

Naturally, the formal isolation of a group of branches according to their functional aspect is not enough to assure their absolute fulfillment of those functions. This requires the accomplishment of a large group of interrelated tasks, including scientific-methodological tasks. The specific nature of branches with regional orientation requires corresponding adjustments in the entire system of preplanning studies and planning, which involve primarily intensification of the territorial, intra-regional aspects themselves. This applies to the in-depth study of the production and consumption of specific manufactured goods in the region.

This work must be performed separately in each region, since the structure and the volumes of production and intra-regional consumption are determined primarily by territorial specifics (branch structure of production, demographic situation, natural and climatic conditions, as well as the output of agricultural products, the level of urbanization, and so forth), and it frequently has no analogs. The conditions underlying the shaping of regional needs and their satisfaction with local resources in highly urbanized regions, in regions with extreme conditions and in the nation's largest health resort zones are especially specific.

There are three interrelated tasks: the study of specific regional features and the structure of the economy with respect to the shaping of regional needs; the study of the state of industrial branches in the region and their reserves for partially or completely satisfying those needs; and determination of the economic

feasibility of meeting the region's needs with its own production output. The analytical accomplishment of these tasks belongs in the area of preplanning substantiation.

The next stage, the planning itself, includes the development of specific measures, proposals and tasks incorporated in the system of forms and indicators established for the specific branches of industry. It is also necessary to use only the minimum number of additional plan and report indicators describing the actual regional orientation of production.

The specific features of branches with regional orientation and the planning of their development which we have described can be illustrated using the example of Crimean Oblast, one of the nation's most highly developed, industrial and agrarian regions, whose main specific feature is the existence in its branch structure of a unique branch of specialization--a system of All-Union and international health resort facilities.

A study of regional balances of production, consumption and demand for output has shown that at least three branches of industry in Crimean Oblast--food, local, and construction materials production--should be considered to be oriented practically entirely toward intra-regional consumption; one of the branches (light industry has a regional orientation for certain production operations; and the remaining branches are orientated to specific types of cultural, personal and household goods.

An average of 73 percent of the output of the first group of branches is sold in the oblast, which covers 70 percent of the need for their output. The ratio is 35 percent and 14 percent for light industry, 11 percent and 9 percent for cultural, personal and household goods.<sup>3</sup> Overall, oblast industry sells 26 percent of its output in the region, satisfying approximately 12 percent of the need. Considering the high level of development of Union branch specialization in the oblast, these figures should be considered to be extremely high and the intra-regional contribution by oblast industry in the territorial division of labor should be regarded as substantial. These general figures conceal extremely important branch (sub-branch) and assortment differences. Among the food branches, for example, we can single out the baked goods and the dairy branches, whose output is totally consumed in the oblast, and wine production, with only 30 percent of its output remaining in the oblast. Among the food industry branches the knitwear, sewn goods and textile branches have the highest degree of regional orientation, and the footwear, hosiery and haberdashery branches have the lowest, with 18-25 percent of their output shipped out of the oblast.<sup>4</sup> There are even greater differences in the correlation of output and intra-regional consumption for a broad range of cultural, personal and household goods. During the period 1981-1983, 3.4 percent of the televisions produced were sold in the oblast, 3.3 percent of the home presses, 7 percent of the dishes, 9 percent of the electric convectors and 20 percent of the Oreanda (magnitol).

<sup>3</sup>Data taken from an analysis of statistical records for Crimean Oblast.

<sup>4</sup>Ibid.

It should be mentioned that the volume of sales of output in the region itself still does not fully characterize the regional orientation of the branches as an object of territorial planning. The portion of the region's need which is satisfied by regional production is also important. From this standpoint, the meat and dairy, baked goods, confectionary, beer and non-alcoholic beverage branches, practically all of the sub-branches of local industry, the sewn goods and knitwear sub-branches and absolutely all operations for the production of local construction materials, as well as units for the production of individual types of cultural, personal and household goods, and regional sub-branches with the largest proportions of resort goods, souvenirs, tools and means of mechanization for personal plots, and so forth should be considered to be the most important with respect to accomplishing the tasks involved in improving the welfare of the region's population and the comprehensive development of its economy based on maximum use of local resources, including its industrial capabilities.

In our opinion, production output for these operations should take into account the opinion of territorial planning agencies, along with such extremely important regional aspects of development as the effective use of labor, land and water resources, and environmental protection.

The object of territorial planning for industry will become better defined with this approach (at the present time it virtually duplicates branch planning), the work will be made more effective in the territorial respect itself, and a more active influence will be exerted upon the resolution of social and economic problems in the region. Naturally, this does not negate the need for the traditional list of main indicators for the work of industry as a whole (especially with respect to consumer goods) as part of the comprehensive plan for the oblast's economic and social development. These proposals can actually be implemented on the basis of the existing planning forms and indicators for oblast associations and enterprises.

The production and sales of output plan should explain the indicators for volumes of commercial output and sales of output, for the production of the most important types of items in the unit's own line, new products, consumer goods, cultural, personal and household goods in real quantities, including products designated for sale in the region with a breakdown by assortment.

The total quantities of output designated to be sold within the region should be planned on the basis of calculations for the production program of the enterprise, using the accepted methodology. The breakdown of the production output under consideration by assortment is not only desirable but is actually essential for compiling the figures for the production program, since only that sort of breakdown adequately reflects the actual needs for a specific product.

The existing practice of planning on the basis of a consolidated (main) list of products and in many cases, even in terms of value, does not make it possible to achieve the proper regional orientation for production. It sometimes results in a reduction in the assortment and orients the enterprises toward the production of limited types of popular or expensive products.

It would be a good thing to separate entries related to the output of products for intra-regional consumption within the structure of main indicators in absolutely all sections of the plan for the development of associations (enterprises).

The list of these subsections would comprise a sort of comprehensive plan for the output of products for intra-regional consumption. Its very comprehensive nature is its specific quality. On the one hand, it embraces all aspects of the production and sale of the products. On the other hand, it is not isolated, but on the contrary, it stems directly from the operating plan for the enterprise and organization as a whole. We see in this specific combinations of the branch and territorial management principles at the level of the production units. The convergence of branch and territorial planning with respect to the production of the specific product is not completed with this, however.

The "sales plan," an extremely important element of the plan for production and sales of the given output in the region, is essentially territorial. Its task is the planned distribution of products remaining in the region, by consumers: for trade, supply and sales organization, capital construction and individual construction. In our opinion, this plan should assure that the branches make an active effort in the area of distribution in the region itself toward the effective use of products designated to meet the region's needs. For example, trade enterprises should have special assignments for sale of products for regional consumption and should be provided with proper incentives. Furthermore, there should be both forward communication and feedback between production and sales of the given product (industrial trade firms, firm stores and departments).

It is especially important to define a region's needs for its own output for the planned management of industry's regional orientation. An economically justified combination of industry's participation in the All-Union division of labor and in the meeting of intra-regional needs can be regarded at the present time as one of the most important requirements for realizing the party's social and economic policy.

There are two different aspects to the determination of a region's needs for its own production output. The first of these (relatively well studied and traditional) consists in determining the overall needs of the region (sectors of the national economy, the population, and the territory as such) for all types of goods and services. The second involves the assessment of the economically justified portion of this need to be satisfied with intra-regional goods and services.

The task of determining this need involves the following:

--separating items in the future demand by commodity groups, list and product-mix currently produced at enterprises in the region;

--analyzing the distribution of these products and identifying the portion sold in the region itself;

--determining the basic causes of deviations in the regional production and consumption of these products, with the causes classified according to two groups--the planned export as inter-rayon exchange resulting from Union republic specialization, and export resulting from the nonconformity of the given product's output to the required volume, product-mix and quality;

--establishing economically justified volumes of products designated to be sold in the region, including products obtained by making fuller use of existing resources and by building up production capacities.

In general, it is expedient to analyze the following possible causes of inadequate satisfaction of a region's needs for its own output:

--narrow specialization of production, a small portion in the commodity groups of the list and product-mix in demand in the region;

--poor product quality, which makes it impossible to sell the products in regions with a higher level of social and economic demands by the population;

--inadequate consideration of regional needs in the production of cultural, personal and household goods at enterprises involved in Union specialization.

A separate study should be made of the group of production technology factors retarding the production of the products under study. These include, first of all, inadequate allocation of the necessary raw and processed material, inadequate production capacities, a low level of technical equipment of the enterprises, a lack of auxiliary finishing materials (paints, varnishes, accessories, and others), and inadequately developed cooperation among the region's enterprises in the production of these goods.

Finally, special attention should be given to such organizational economic causes as providing the enterprises with inadequate information on products in great demand in the region, the absence of a unified territorial organization with responsibility for the sale of these products, and the inadequacy of existing measures to provide the enterprises with economic incentives to produce them.

In our opinion, the enterprises would have a considerably greater economic incentive to give production a regional orientation if we raised deductions into the economic incentive fund for the production of these goods and planned the production of these goods in an expanded product-mix. This would contribute to centralized resource support for their production and would increase the responsibility of the enterprises themselves for fulfilling the plans.

Problems of achieving an economically justified regional orientation for the branches not only exists, but can realistically be resolved both in production management and in the area of planning. It is probably now necessary to define specific ways to achieve rational orientation of the branches in a number of republic oblasts and particularly, to single those branches out as a priority object of primarily territorial planning.

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